Austria Sch22	Indonesia Rp3300	Portugal Esc100
Bahrain Din0.650	Israel IS3.50	Saudi Ar. Rs6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan [illegible]	Sri Lanka Rs30
Denmark DKr9.00	Kuwait [illegible]	Sweden SKr8.00
Egypt [illegible]	Lebanon $1,125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bt50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L300
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,393 — Thursday November 19 1987 — D 8523 A

Egypt and Israel: The bitter taste of peace, Page 20

World News | Business Summary

Italian coalition re-formed by Goria

Mr Giovanni Goria, who resigned as Italy's prime minister last Saturday, succeeded last night in re-forming the five-party coalition after the Liberals indicated they were willing to rejoin.

Mr Goria reported the success to President Francesco Cossiga after the Liberals had won concessions on the 1988 budget proposals.

London underground fire claims 10

Ten people died when a fire broke out in a London Underground station last night. As many as 50 were taken to hospitals, many in a serious condition. The blaze at King's Cross broke out at about 8pm when it was still crowded with commuters.

EC summit blow

Preparations for next month's summit of EC heads of state received a major setback in Brussels when farm ministers unexpectedly adjourned their negotiations on new ways to control farm spending. **Page 26; Hormone ban delayed, Page4**

Yugoslav pay rises

More street protests broke out in Skopje, southern Yugoslavia, and strikes by workers challenging the Government's austerity measures were reported around the country.

Aluminium workers were granted a pay increase after they marched on the regional parliament building - following similar action by steel foundry workers who were granted a wage rise after protests on Tuesday.

Romanians protest

Thousands of Romanian workers demonstrated in Brasov demanding bread and "an end to the dictator" in what was seen as growing discontent with government policies. **Page 2**

Missile talks stall

US and Soviet negotiations on a treaty abolishing medium-range nuclear missiles were stalled less than three weeks before the Washington summit meeting at which it was scheduled to be signed. **Page 2**

Bank secrecy lifted

Switzerland's Federal Court lifted Swiss banking secrecy to let the US examine bank documents relating to illegal US helicopter exports to communist North Korea.

Missionaries ousted

Kenya asked nine foreign missionaries to leave the country in addition to seven deported last Friday in connection with an alleged plot to overthrow the Government.

New post for Yeltsin

Sacked Moscow Communist Party leader Boris Yeltsin was appointed First Deputy Chairman of the State Construction Committee with the rank of minister.

Italian flights strike

Dozens of flights were cancelled at Rome and Milan airports when ground staff went on strike to back demands for a new contract.

300 die in desert battle

Moroccan troops killed 245 Polisario guerrillas and lost 72 dead in fighting in the Western Sahara, military headquarters in Rabat said.

Greenpeace plea

Environmentalist group Greenpeace said it would urge European ministers next week to stop Britain dumping industrial waste in the North Sea by the end of the decade. Other countries were switching to alternative disposal methods.

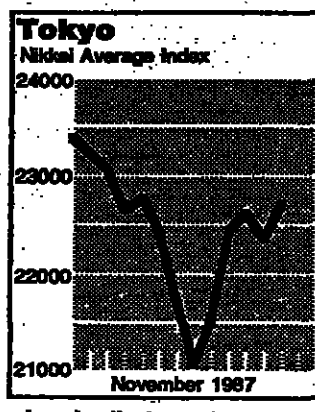
Bhopal case adjourned

An Indian judge adjourned hearings on the Bhopal gas disaster after the Government and Union Carbide failed to agree on a multi-million dollar settlement. **Talks fuel opposition, Page 4**

Turbulence in markets benefits US bank

BANKERS TRUST, eighth-largest US commercial bank, said it had benefited dramatically from the recent market turbulence and expects after-tax results for 1987 to be \$150m-\$175m better than previous forecasts. **Page 20**

TOKYO: Steels, high-technology issues and utilities underpinned a broad rally in equities, taking the Nikkei average up 390.21. **Page 42**



WALL STREET: The Dow Jones industrial average closed at 1939.16 up 16.91. **Page 42**

LONDON: A strong rally was cut back by fears over the outcome of talks aimed at cutting the US budget deficit. The FT-SE 100 index closed up 3.6 at 1,663.7 and the FT Ordinary index fell 1.3 to 1,309.3. **Details Page 38**

DOLLAR: In New York the dollar closed at Y135.30; DM1.6835; SFr1.3825 and FFr5.7070. In London it closed at Y135.45 (Y135.70); DM1.6870 (DM1.6935); SFr1.3825 (SFr1.3900) and FFr5.7175 (FFr5.7325). On Bank of England figures, the dollar's exchange rate index, calculated before its late fall, was 96.9 against 96.8. **Page 30**

STERLING: In New York the pound closed at \$1.7745. In London it closed at \$1.7705 (\$1.7645); DM2.9875; Y239.75 (Y239.50); SFr2.4475 (SFr2.4525) and FFr10.1225 (FFr10.1150). **Page 30**

ROVER, state-owned UK motor group, said it would make an operating profit this year for the first time since 1983 - a turnround for the group, which made a net loss of £892m (\$1.5bn) in the year to December 31 1986. **Page 21**

AMOCO CANADA Petroleum appears to have won control of troubled Dome Petroleum, after raising its bid C\$400m to C\$5.5bn (US\$4.18bn). **Page 21**

RENAULT, French state-owned motor group, said consolidated revenue for the first six months of this year amounted to FFr74.28bn (\$12.96bn), up 11.6 per cent from the year-earlier figure of FFr66.55bn. **Page 22**

BELL GROUP, the master company in the empire controlled by Robert Holmes a Court, had its debt downgraded by Australian Ratings, the credit agency, as a result of the worldwide share market collapse. **Page 25**

NESTLE, Swiss foods group, will at least repeat last year's net earnings of SFr1.8bn (\$1.3bn) in 1987, despite setback from this year's fluctuations in currency and coffee prices. **Page 22**

SONY of Japan showed a marked recovery in operating profits for the second quarter and predicted continued increase in profitability despite the impact of the appreciation of the yen. **Page 25**

CSR, Australian building materials, sugar and resources group, saw interim earnings up 39 per cent and is doubling its planned spending on acquisitions this year. **Page 25**

HOOGOVENS, Dutch steel group, plans to raise Fl 200m (\$104.9m) through the Amsterdam bond market. **Page 22**

FISKARS, Finnish consumer goods and electronics group, has reached a preliminary agreement to buy the Wilkinson Sword home and garden operations from Swedish Match for an undisclosed sum. **Page 22**

Reagan held to blame for Iran-Contra arms scandal

BY LIONEL BARBER IN WASHINGTON

PRESIDENT RONALD Reagan bears the "ultimate responsibility" for the Iran-Contra scandal in which his senior aides broke laws, ran a bungled secret foreign policy, and then tried to cover up their misdeeds, the Congressional report into the affair said yesterday.

In a heavy indictment of Mr Reagan's leadership, the 690 page majority report blamed the 76-year-old President for creating an environment in which established codes of government were ignored. It recommended tighter controls on the conduct and reporting to Congress of covert US foreign policy.

The White House commended the joint House-Senate panel for its nine-month inquiry but said Mr Reagan had already introduced reforms to prevent a recurrence of the scandal.

Officials took comfort from a 150-page minority report, signed by eight Republicans, which rejected charges of law-breaking and violations of the US Constitution. However, three Republican Senators signed the majority version.

The Congressional report makes no judgment on whether two former senior White House officials at the centre of the affair, Lt Col Oliver North and Rear Admiral John Poindexter, the former national security adviser, engaged in criminal activities. The two men are among several targets in a separate criminal investigation lead by a special prosecutor.

But the report makes clear that numerous Congressional

Congressional report is severely critical of President Reagan, Admiral John Poindexter (centre) and Lt Col Oliver North

laws were violated during a secret 18-month White House operation to sell arms to Iran and to divert the profits to the Nicaraguan Contra rebels during a ban on US military aid.

The report remained ambivalent on the key question of whether Mr Reagan knew about the diversion. "If the President did not know... he should have," adding that he had created, or at least tolerated, an envirnomnent in which his officials had disregarded the law.

Senator Daniel Inouye, chairman of the Senate Select committee and a veteran of the Senate panel which investigated the Watergate scandal 14 years ago, said Mr Reagan's aides had run a "concerted campaign of dishonesty and deception".

The report suggested throughout that Lt Col North was a central figure controlling Contra funds and organising arms sales to Iran in return for the release of US hostages held in Lebanon. It also revealed fresh evidence that he tried to interfere with FBI inquiries into US arms supplies to the Contras.

But it largely accepted the marine's testimony that he was guided by his mentor Mr William Casey, the former director of the CIA, who died of brain cancer in the summer.

Because of the way Mr Casey allegedly used Col North and the National Security Staff at the White House to conduct "off the shelf" covert operations abroad, in place of the CIA, the majority report recommends tighter controls.

These include restrictions on the use and duration of "Findings", the formal legal provision which a president must sign to authorise covert actions, defined as undercover operations against foreign governments hostile to the US. The National Security Council would also be barred from involvement. In future, the National Security adviser should not be an active military officer. (This has been waived in the case of the most recent appointee, Lt General Colin Powell.)

The report also criticises Mr Ed Meese, the US Attorney General and a close friend of Mr Reagan, for conducting a sloppy investigation of the affair when the first arms sales to Iran became public a year ago. It says Mr Reagan made several public statements denying the arms-for-hostages deals at the time which were untrue.

"He (Mr Reagan) told the public that the US had not condoned the arms sales by Israel to Iran, when in fact he had approved them and signed a Finding, later destroyed by Poindexter, recording his approval."

The report is a further political blow to Mr Reagan as he prepares for his summit meeting with Mr Gorbachev, the Soviet leader, in Washington on December 7. It also weakens his authority and prestige as he tries to conclude an agreement with Congress on cutting the record \$148bn Federal budget deficit.

However, partisan bickering detracted from a uniform Congressional front against the executive and Mr Reagan.

Background, Page 3

EC report on steel urges end to quotas

BY WILLIAM DAWKINS IN BRUSSELS

STEEL OUTPUT controls should be scrapped by April 1989, according to an independent report on the future of the European Community steel industry.

The study, by "three wise men" chosen by the European Commission, confirms that the industry has failed to produce enough promises of closures to justify continuing quotas.

The panel says European steelmakers' prices have been so protected by the seven-year-old system of production controls that they are not ready to make sacrifices to bring supply in line with demand. It does, however, say the industry will come forward with extra voluntary closures within months.

Eurofer, the club of big integrated steelmakers, has offered to close just over half of the the EC's 30m tonnes surplus capacity.

The study records deep scepticism among major EC steelmakers over the Commission's ideas for the industry's future, notably a system of production levies to help finance the sale of quotas at favourable rates as the industry returns to a free market over the next three years. The authors, an atomic physicist and two bankers, pass no personal judgment on the levy proposal, which has been criticised as an unfair tax on efficient steel companies.

Mr Karl-Heinz Narjes, the European Industry Commissioner, gave the study a guarded welcome yesterday. He said the Commission would try to adopt a final position on the report at its full meeting next week, in time for industry ministers to decide at their meeting on December 8 on whether to continue quotas.

The three wise men suggest a rise in EC steel production limits of 2.5 percentage point steps each quarter of next year, leading to a 10 per cent overall increase by early the following year and an end to quota limits by April 1 1989.

The panel puts forward two other options. If the industry guarantees by March 15 to close three-quarters of the 20m tonnes overcapacity in hot-rolled coils, heavy plate and heavy sections identified by Brussels, quotas should be run down more gradually until the end of 1990.

The third option would be to end quotas from January, if the Commission failed to secure a promise of adequate closures from the industry by December 15 - the position Brussels has already taken in its own discussions with the industry.

The Commission should stick to its near total ban on state subsidies to steel companies because anything else would be taken as a sign of weakness by the industry, says the report. It does, however, support the Brussels authorities' ideas for social and regional aid to help cushion the effects of plant closures.

Sarney gives up battle to win five-year term

BY IVO DAWNAY IN RIO DE JANEIRO

PRESIDENT Jose Sarney of Brazil has formally given up the fight for a five year term of office. Instead he pledged to act as an independent arbitrator in presidential elections in November next year.

His decision ends widespread speculation that he might continue to fight against the vote last Sunday by the committee drafting the country's new constitution which reduced his term to four years.

A plenary session of the 559-member Constitutional Assembly is now certain to endorse the key clause that triggers elections next November, and the inauguration of the new president on March 15 1989.

In a newspaper interview, Mr Sarney implicitly attributed his action to opinion polls showing a large majority of Brazilians favouring presidential elections next year.

He was quoted as saying: "An election in 1988 is irreversible. The people want elections."

A senior official in the presidential palace in Brasilia confirmed the decision. He added that Mr Sarney would not propose or support a candidate and would dismiss any government servant showing favouritism to those contesting the presidency. This is significant because, in the past, presidential endorsement and patronage has proved a formidable weapon in election campaigns.

Mr Sarney is also determined to use his remaining period of office to govern without repeated consultations with the main political parties - the factor that has most hampered his administration in the past.

It was made clear yesterday that ministers who did not subscribe to the administration's strategy on key issues would be forced to resign. Some commentators believe the president may use his new political circumstances to make cabinet changes.

Mr Sarney's acceptance of elections next year creates significant changes in Brazil's political outlook. Beyond reducing the president's dependence on support from the political parties, it also seriously reduces the possibility that Brazil will adopt a parliamentary system of government.

Final voting on the new Constitution begins in a plenary session of Congress shortly, and should be completed early in the new year. With all sides now convinced that elections will be held in November, the most substantive question rests on whether the politicians will back the draft text's clause introducing a parliamentary regime next March.

Many Congressmen who supported this proposal did so only to reduce the powers of the President in favour of a prime minister. With elections all but agreed, these votes are expected to switch back to a presidential system - the traditional Brazilian preference.

Among the leading candidates for the presidency are expected to be Mr Lionel Brizola, the leftwing ex-governor of Rio de Janeiro, Mr Ulysess Guimaraes, veteran leader of the majority Democratic Movement Party (PMDB) and Mr Aureliano Chaves, the Energy Minister and prominent member of the conservative Liberal Front (PFL).

US deficit talks aim for lower target

By Stewart Fleming in Washington and Simon Holberton in London

BUDGET negotiators appeared to be edging towards an agreement to reduce the 1988 Federal deficit by \$23bn yesterday. However, even before the accord could be finalised it was coming under fire from members of the negotiating teams as inadequate.

As the "budget summit" resumed in Washington yesterday morning it was clear that White House and Congressional leaders were abandoning the target of a more ambitious attack on the deficit and aiming at the minimum 1988 deficit

Continued on Page 20

FT announces plan to print in France

THE FINANCIAL TIMES will print its International Edition in northern France from the middle of next year, the newspaper announced yesterday.

The new plant will service the FT's readership in France, Belgium and the Netherlands. The International Edition is already printed in Frankfurt, West Germany, and in New Jersey in the US.

Mr Frank Barlow, the FT's chief executive, said following yesterday's announcement that the move was part of a "considered and steady programme of international expansion".

The next likely step was for the FT to print a Far East Edition.

"It was always our intention to include a second printing centre in continental Europe to improve our distribution before expanding in the Far East," he said.

The new French contractor - Nord Eclair - already prints a range of newspapers at its plant in Roubaix, near Lille, including copies of Le Figaro, the French daily. Nord Eclair will start printing the FT, which will be transmitted by satellite from London, in mid-summer 1988.

Since its launch in 1979 circulation of the International Edition of the FT has risen more than threefold in continental Europe, where it now sells 48,000 copies. Worldwide sales of the International Edition have risen to 73,000, or nearly 25 per cent of the newspaper's total circulation.

Mr Terry Damer, the FT's Sales Development Director, said yesterday: "The rapid rise in demand for the FT has meant that we were no longer able to satify demand in parts of Europe from our Frankfurt printing plant. We are aware that some readers have not been getting their paper as regularly as they should. This will improve matters greatly."

Kuwaiti Government builds up 10 per cent holding in BP

BY RICHARD TOMKINS IN LONDON

THE KUWAITI Government has acquired more than 10 per cent of the shares in British Petroleum, Britain's biggest company in turnover terms, it emerged yesterday.

The shares have been bought by the Kuwait Investment Office, the London-based investment arm of the Kuwaiti Government's Ministry of Finance. It is thought to have paid about £500m (\$882m) for the stake.

At the end of the third successive day in which a mystery buyer had raided the London stock market for massive volumes of BP shares, BP announced that the KIO had accumulated 10.06 per cent of its ordinary capital.

Shortly afterwards, the KIO issued a statement saying: "The office considers at the present price and bearing in mind the availability of large amounts of shares, this is a good long-term investment."

BP appeared unperturbed by the development. It said it had often made clear its desire to widen its international shareholding base, and welcomed significant new long-term investors of an institutional nature.

The KIO is a notoriously secretive organisation which invests billions of dollars' worth of the Kuwaiti Government's oil revenues in international stock markets.

Its policy is to make long-term investments aimed at increasing the capital value of its funds, but it has shown itself ready in the past to take short-term profits when opportunities arise.

The office does not normally become involved in the management of the companies in which it invests because it believes that too close an involvement would make it privy to insider information and restrict its freedom to deal.

Most stock market analysts are therefore ready to accept the KIO's explanation that its holding in BP is a genuine investment rather than an attempt to increase Kuwaiti influence over BP's vast refining and marketing capacity.

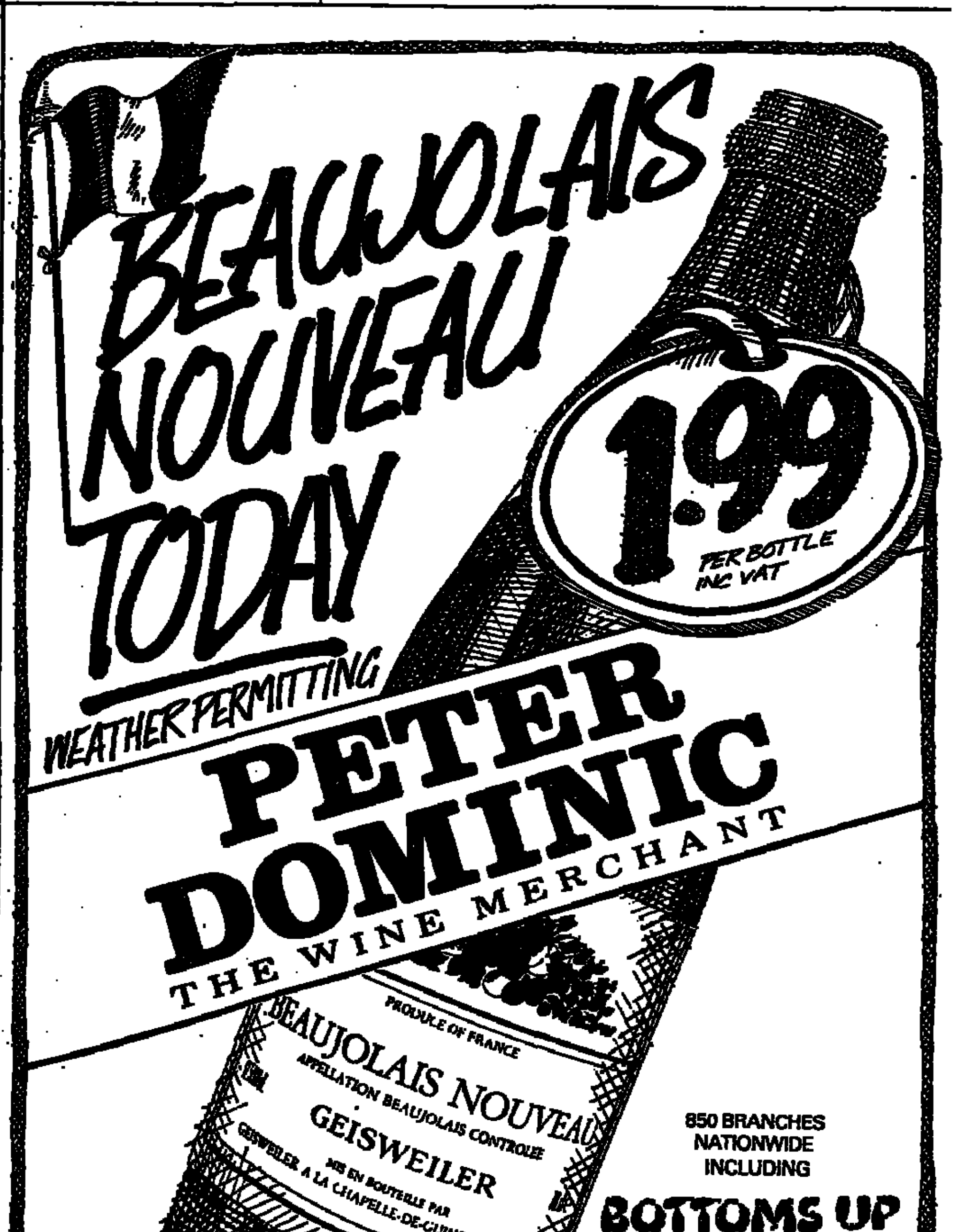
However, the KIO has given no indication of whether or not it intends to stop buying at this level.

There is also concern that if the KIO decides to sell, such a large stake would be a powerful weapon to any other single buyer.

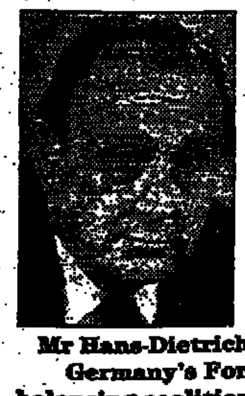
The KIO's stake consists of about 600m shares and is almost entirely made up of the partly paid stock sold off by the British Government in last month's disastrous offer for sale.

Of the 2.2bn shares sold in the offer, the vast majority were left with the underwriters - 610m of

Continued on Page 20
Details, Page 27



CONTENTS



VINTAGE YEAR FOR BONN'S VETERAN POLITICIAN

Mr Hans-Dietrich Genscher, West Germany's Foreign Minister, balancing coalition politics, Page 18

Geneva missiles talks stall over inspection issue

BY WILLIAM DULLFORCE IN GENEVA

US AND Soviet negotiations on a treaty abolishing medium-range nuclear missiles are stalled less than three weeks before the summit meeting in Washington at which President Ronald Reagan and Mr Mikhail Gorbachev are scheduled to sign it.

One sticking point is understood to be Soviet insistence that it be allowed to continue inspecting European bases on which US missiles are currently deployed after the weapons have been destroyed.

Mr Yuli Vorontsov, the Soviet Deputy Foreign Minister, and Mr Max Kampelman, the chief US negotiator, left here yesterday *morning* after *failing in three* days of talks to remove the remaining obstacles.

The outcome belies the assurances that the treaty would be completed on time given by both after their first meetings on Sunday and Monday.

Neither made a statement after their final encounter late on Tuesday but, asked before going into that meeting whether he has still optimistic, Mr Kampelman replied: "I am more realistic."

Diplomats in Geneva now *believe that a further meeting* between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet counterpart, will be needed. Earlier this week the US State Department said no such meeting was scheduled.

US officials say that 95-98 per cent of a 150-page treaty banning nuclear missiles with ranges of 500-5,000km has been agreed by the two sides. The outstanding problems centre on the crucial issue of verification, deciding how to make sure that nobody cheats.

Each side has agreed to on-site inspection of its intermediate-range nuclear facilities, initially in a full inventory inspection and subsequently at intervals over three years.

Inspectors from one side will be able to certify destruction of missiles at the other's chosen sites. These sites will then be subject to further inspection for 10 years.

However, the main problem is the US demand for inspection on *challenge of "suspected sites"*, where one side suspects that other may be producing or storing weapons banned by the treaty. No definition of a suspected site has been agreed.

Moscow is also demanding that bases in Europe, including the UK, at which US missiles are now deployed should be subjected to the 10-year inspection rule.

The US argues, as it did in the earlier dispute over the West German Pershing 1A missiles, that it cannot negotiate for third countries.

Another problem is understood to concern the exchange of data on the missiles covered by the treaty. US officials have claimed that the Soviet Union has not yet proved ready to provide all the details the US considers necessary for verification.

Other outstanding points mooted, such as Mr Vorontsov's comment that the US wanted to destroy only the casing and wings of its cruise missiles, leaving the warheads and guidance systems intact, are seen as less serious and as being raised publicly for tactical reasons.

The same applies to a US demand to monitor fabrication of Soviet strategic SS25 missiles not covered by the INF treaty because *they use the same first* stage as the medium-range S20s.

The verification issue could prove crucial in the US Senate, which must approve any pact by a two-thirds majority.

President Reagan has accused the Soviet Union of cheating on previous arms pacts.

Three major arms control treaties from the 1970s remain unratified by the Senate.

Genscher warns Nato on arms control talks

BY DAVID MARSH IN BONN

MR HANS-DIETRICH Genscher, the West German Foreign Minister, has delivered a clear warning to other Nato countries on the need for fresh arms control negotiations to reduce the Soviet Union's superiority in short-range nuclear missiles aimed at the Federal Republic.

Mr Genscher said there was "no doubt" that Nato foreign ministers would honour their commitment in June to press for "follow-on" talks over the shorter-range weapons after the conclusion of a superpower accord to eliminate medium-range *weapons of between 500km* and 5,000km (Intermediate Nuclear Forces or INF).

"There was an agreement in Reykjavik (at the Nato meeting) to elaborate a Western position with regard to the question of shorter-range missiles and this will be honoured. There is no doubt about that," Mr Genscher said.

He was speaking against the background of recent indications that the US and Britain in particular were in no hurry to begin talks on reducing arsenals to tactical nuclear weapons in Europe. Following conclusion of the INF accord *expected to be signed in Washington* next month, both countries have made it clear that further reductions in nuclear weaponry in Europe could disrupt further Nato's nuclear defence strategies.

On the short-range missiles issue, West German worries have been increased by the meeting of defence ministers within Nato's Nuclear Planning Group (NPG) in Monterey, California, earlier this month. This discussed plans to upgrade short-range missiles in Europe, including a new version of the existing 110km range Lance missile.

Although no decision was taken at the meeting, the proposals have dismayed politicians on the left and right in West Germany. Shorter-range missile reinforcement would not only be counter to the spirit of the INF accord but would also lead to deployment almost entirely in West Germany.

The June Nato agreement in Reykjavik laid down a post-INF disarmament "concept" which would include moves to establish conventional force balance, eliminate chemical weapons and reduce to equal ceilings US and Soviet land-based shorter-range missiles.

Pointing to the Soviet short-range Scud-B missiles based in eastern Europe, Mr Genscher said: "I cannot believe that there can be any allied government which prefers that the Eastern side should have more than 600 Scud missiles and that we should not demand from the East that this superiority be reduced."

The West German anxieties have led to a split within the Bonn Government, with the Foreign Ministry privately blaming Mr Manfred Woerner, *the Defence Minister, for not* taking a more active line to oppose plans for tactical missile reinforcement at the Monterey meeting.

Mr Woerner made clear last weekend his differences over the issue compared with Mr Genscher. "We should not forget that the tactical missiles in Europe compensate for the superiority of the Warsaw Pact in the conventional area," he said. "An elimination of the tactical weapons *without establishment of* conventional balance would be the end of our security."

Mr Genscher also stressed the importance of moves to solve the *EC's financial crisis at next month's* Copenhagen summit. This comes just before Bonn takes over the Community presidency in the first half of next year.

Poland's reform plan spelled out

By Christopher Bobinski in Warsaw

A POLISH Communist party *central committee meeting* due next Wednesday is to be asked to approve policies sanctioning more freedom for public debate but falling short of opening the way to overt political opposition activity.

This emerges from the keynote speech for the meeting published yesterday in an unprecedented gesture designed to make it more difficult for conservatives in the party to whittle away the proposals.

The central committee plenum comes a few days before a national referendum on economic reform at which people will also be asked to decide whether they want further democratisation. The party proposals are designed to encourage a good turnout.

The policies unveiled yesterday stress devolution of decision-making down to local government and include a liberalisation of regulations on local elections. They also hold out the possibility of recognising opposition discussion clubs as well as liberalising the law on associations.

Solidarity, however, is expressly excluded from the new deal and the breaking up by police last weekend of an attempt to found a Polish Socialist Party suggests that any *overt* political activity must recognise the existing political order.

The policies laid out in the speech are a logical consequence of the freeing of political prisoners last autumn and are intended to split the opposition by giving moderates a legal platform for expressing their views.

Among other suggestions are the establishment of a second parliamentary chamber and an autonomous human rights committee to back up an official ombudsman due to be appointed today.

On the economic front the party leadership is proposing sanctioning equal treatment for the private co-operative sectors.

MEPs back tougher curbs on agriculture

BY QUENTIN PEEL IN STRASBOURG

THE European Parliament yesterday voted by a large majority for even tougher controls on farm spending in the European Community than currently proposed by the Commission - including a special tax on agriculture to finance any budget overrun.

The hardline plan for reform of the Common Agricultural Policy, with strong support for the Commission's plans to impose *specific production controls in* each farm sector, confirmed the Parliament's conversion from its former role as a fervent farm lobby. It was adopted as part of a whole package of parliamentary opinions on the sweeping financial reforms due to be decided on by EC leaders at their summit in Copenhagen next month.

The MEPs gave broad support to the plans tabled by the Commission, which link reform of the CAP to an increase in long-term national contributions to the EC budget. The plans also include a new system for calculating those national contributions, to shift the burden more on to the richest member states with the highest gross national *product, and doubling the cash* available for social and regional spending in economically-backward regions.

They voted by 286-37, with 30 abstentions, for the report of Spanish Socialist Enrique Baron Crespo, which will now be presented to the Copenhagen summit by Lord Plumb, the Parliament's president.

Apart from the tough stance on farm spending - in sharp contrast to the attitude of the Parliament's agriculture committee - the key change proposed by the MEPs is for the new system to put even greater emphasis on a fairer burden of budget contributions. The Parliament wants the whole financing system to be based *on GNP*, with the cash coming from customs duties and agricultural levies, as at present, and the balance from value added tax.

The present system calculates contributions according to a common VAT base, which therefore discriminates on those (poorer) member states where consumption forms a relatively high proportion of national income. It also means that Italy, with a large black economy, gets away with bearing less than its full share of the budget.

The Commission had *proposed* a mix of the two systems, but the Parliament wants it all put on GNP as the fairest formula. Some members - including Mr Baron - wanted the measure as GNP per capita, to place the burden even more squarely on countries like West Germany, Denmark and the Netherlands.

The MEPs are demanding closer consultation with the Council of Ministers to fix long-term budget discipline - five year spending ceilings - on the grounds that they have proved themselves more *responsible in* keeping spending under control.

Whereas the Commission has proposed a special fund to finance the effect of currency changes, like the dollar's decline, on farm export subsidies, the Parliament wants any such overrun to come from other areas.

On another key controversy, the MEPs have chosen to avoid a direct battle: the British budget compensation. They recognise, in effect, that some sort of compensation will continue, but hope that by changing the contribution system the need for it will be much less over time.

William Dawkins on a landmark verdict by the European Court

EC sets merger control precedent

EUROPEAN Commission competition officials yesterday congratulated themselves on a landmark legal judgment that significantly *reinforces their scope to control* EC-wide mergers.

The judgment came a day earlier from the European Court of Justice in Luxembourg, the top legal authority in the Community. It ruled that the Commission used its authority properly in setting conditions on a link-up between Philip Morris, the major US cigarette group, and Rothmans *International*, its main competitor on the EC market.

The impact of that decision is wide-ranging, both for the cigarette industry and - more importantly - for the Brussels authorities' controversial campaign to push through a general EC-wide merger control policy.

The immediate interests at stake are those of BAT and R.J. Reynolds (re-named RJR Nabisco since the case started) which mounted this legal action against the Commission in 1984, claiming Brussels had not been stringent *enough in setting conditions* on Philip Morris' acquisition of a large minority stake in Rothmans.

Clearly, the judgment is bad news for BAT, which with its 10 per cent share of a stagnant EC tobacco market wanted to see the toughest possible restriction imposed on an accord between its arch-rivals, Rothmans and *Philip Morris, which* between them hold just under 30 per cent of the market.

It is also one of the very few occasions when the Luxembourg Court's final judgment has run counter to the preliminary opinion of its Advocate-General. He produced a report in March saying the Commission had failed to do its homework properly in setting conditions to ensure Philip Morris and Rothmans did not *co-ordinate their commercial* activities to their competitors' disadvantage.

The wider consequence is that the judgment is the first ever confirmation that the Commission can apply Article 85 of the Treaty of Rome to share transactions between competing companies. This outlaws any kind of agreement likely to distort free competition.

The impact of the decision is wide-ranging, both for the cigarette industry and for Brussels' campaign for general EC-wide merger control

Until this week, legal precedent suggested the Commission could only use *Article 86*, which outlaws abuses of dominant positions. That means Brussels has to prove an abuse is already taking place before acting to stop it, a *much weaker weapon than the* wider-ranging Article 85.

The judgment also gives Brussels clear legal backing to act against anti-competitive acquisitions involving companies based outside the EC, and defines the extent of its powers. "Where the companies concerned are multi-national corporations, which carry on business on a world-wide *scale, their relationships* outside the Community cannot be ignored," said the Court.

One link-up that could be hit by this is the merger of the telephone interests of CGE of France and ITT of the US to form Alcatel, which has worried Commission officials with its more than 40 per cent share of EC telecommunications equipment sales.

More *immediately*, the judgment gives real credibility to the *tactics* the Commission is using to push through a general merger control regulation, which has been stuck in debate between national officials since being proposed by Brussels in 1973.

Mr Peter Sutherland, the Commissioner for competition policy, has threatened to take case-by-case action under Articles 85 and 86 against potentially anti-competitive acquisitions, unless EC trade ministers agree to the broad outlines of a general merger control policy at their next meeting on November 30.

Britain and France, also supported by the Netherlands, are sceptical about the need for a general EC merger rule, which they fear would prove to be unnecessarily bureaucratic and cumbersome.

The court's decision should answer Mr Sutherland's critics' argument that his legal threat is impractical. At the same time, however, it could make the Commission more vulnerable. The *merger control sceptics may well* argue that now the Court has shown how the existing competition rules in the Rome Treaty do cover mergers, there is no real need to give even more power to Brussels by accepting Mr Sutherland's general regulation.

However, the court's 33-page decision is not completely clear-cut and contains important caveats. The broad thrust is that the act of buying shares in a major competitor is not automatically an anti-competitive sin. The Commission "must be able to show that the agreement has the object or effect of influencing the competitive behaviour of the companies on the relevant market", said the Court.

That includes situations where the buyer gets control of the commercial conduct of its competitor, *where the pair agree to* co-operate, or where the purchaser has the chance to take effective control later.

The cigarette deal gets clearance because Philip Morris has no board representation at Rothmans and has kept its shareholding just below the 25 per cent which would give it power of veto.

The pair have also promised to keep their EC operations separate for three months, to give time for Brussels to investigate, if Philip Morris ever wanted to increase its stake. All these conditions were built into the deal three years ago, as a result of a Commission investigation into the companies' original plans for much closer links announced in 1981.

Brussels now has the go-ahead to impose similar conditions on other share acquisitions, but crucially it can only do so after the *deal has been completed. Its* general merger control regulation would give the Commission the power to vet mergers in advance, which it emphasises is a saner and more predictable option than that of continuing to take case by case action under Articles 85 and 86.

Romanians in mass display of discontent

By Judy Dempsey in Vienna

THOUSANDS OF Romanian workers demonstrated in the city of Brasov demanding bread and "an end to the dictator" in what is seen as growing discontent with government policies.

On Sunday morning, several thousand workers marched out of the Steajul Rosu factory, the *flagship of Romanian industry* which makes tractors and trucks, and walked towards the mayor's office in the centre of Brasov.

According to reports from Romania, as the workers marched down one of the main streets leading from the factory into the centre of the city, they were joined by thousands of other people. Together they chanted an old nationalist song, "Romanians, Romanians, awake." They also chanted: "We want bread," "Down with the dictator" and "Down with the squanderers."

The crowds forced their way into the mayor's office, and threw pictures, files and official papers out of the windows. They then lit a bonfire in the square, burning pictures, flags and official slogans.

After three hours, the crowds dispersed when militia and special riot police were called in. *There were reports of arrests but* sources did not say how many people were detained in what is seen as an unprecedented mass demonstration against the policies of *Mr Nicolae Ceausescu, the* Romanian President and Communist Party leader.

So far, it is not clear whether the demonstration was spontaneous or organised. But either way, it indicates growing discontent with the political and economic situation in the country.

Last week, new restrictions were imposed on the use of electricity, lighting and heating. Romanians will be fined or have their already meagre energy supplies cut off if they exceed their rations. The norms restrict the use of domestic appliances, heaters and lighting bulbs.

Apart from these restrictions, which become tighter each year, Romanians face food shortages over the coming winter months. Fresh fruit, meat, milk and cheese are unavailable in the shops and certain goods have been rationed since the early 1980s as part of the authorities' *drive to cut its external debt by* increasing exports, including food and meat products.

Over the past two years, there have been unconfirmed reports of strikes as well as student demonstrations against the harsh policies of the authorities, but this is the biggest confirmed demonstration of its kind for several years.

The last *serious strike took* place in 1977 in the Jui Valley minefields in which thousands of workers downed tools and called for better working conditions.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY-Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1986							
2nd qtr.	109.7	104.9	97	121.3	154.0	3,208	175.6
3rd qtr.	110.9	106.0	96	122.7	158.7	3,202	200.2
4th qtr.	111.1	107.4	96	126.5	164.3	3,141	212.8
1987							
1st qtr.	111.9	107.4	95	125.4	157.9	3,073	210.4
2nd qtr.	112.5	109.4	92	128.3	166.9	2,965	226.1
3rd qtr	114.8	111.4		131.8	171.8	2,827	241.3
April	112.5	109.0	94	130.0	169.9	3,018	217.7
May	113.1	109.5	98	125.4	161.2	2,952	230.5
June	111.9	109.8	93	129.4	167.3	2,925	233.7
July	114.2	111.1	98	131.2	172.7	2,876	235.2
Aug.	115.0	111.8	90	132.5	171.9	2,829	236.9
Sept.	113.8	111.2		131.8	171.0	2,773	246.6
Oct.				132.9		2,714	261.4

OUTPUT-By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1986							
1st qtr.	103.9	100.8	114.9	101.1	100.1	103.1	14.6
2nd qtr.	105.3	101.1	115.7	102.6	119.6	104.1	19.5
3rd qtr.	106.4	101.2	117.5	103.3	109.5	103.2	19.4
4th qtr.	106.5	103.3	116.0	105.4	115.0	104.8	15.5
1987							
1st qtr.	106.1	103.2	117.8	106.2	113.8	101.9	17.4
2nd qtr	111.1	102.0	117.5	105.8	119.1	105.8	19.6
3rd qtr	112.0	104.9	119.3	106.1	120.6	107.9	19.0
February	108.1	103.2	118.5	105.0	120.0	102.0	18.6
March	107.9	104.7	118.6	107.9	115.0	101.0	20.8
April	110.7	102.8	117.8	105.9	115.0	106.0	18.1
May	111.6	102.6	118.7	106.0	119.9	106.0	20.4
June	111.1	103.6	116.1	106.9	123.9	106.0	20.2
July	112.8	104.2	119.4	107.9	120.0	108.0	20.3
Aug.	112.6	104.2	120.2	106.9	124.9	109.0	17.4
Sept.	112.6	105.7	118.1	109.0	118.0	107.0	19.4

EXTERNAL TRADE-Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1986							
2nd qtr.	121.9	129.1	-1,606	+146	+765	102.5	19.20
3rd qtr.	122.6	130.0	-2,391	-910	+621	103.2	22.43
4th qtr.	130.5	144.0	-2,725	-960	+795	100.9	21.92
1987							
1st qtr.	130.0	133.2	-1,135	+672	+1,164	100.5	27.04
2nd qtr	126.3	140.7	-2,361	-174	+1,083	103.7	34.36
3rd qtr	130.5	150.7	-3099	-1293	+942	103.5	34.81
March	126.9	130.2	-417	+185	+454	100.5	27.04
April	131.4	138.6	-536	+203	+423	102.8	29.81
May	122.9	144.3	-1,086	-967	+365	103.8	34.68
June	123.5	139.1	-740	-11	+245	104.4	34.36
July	131.3	147.6	-910	-310	+284	103.1	34.91
Aug.	126.4	154.9	-1,529	-929	+374	103.6	34.36
Sept.	133.9	149.6	-655	-55	+284	103.7	34.81
Oct.							41.40

FINANCIAL-Money supply M0, M1 and M3 (three months' growth at annual rate); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit† £m	Base rate %
1986							
2nd qtr.	3.1	25.9	27.2	+6,455	1,428	+346	10.00
3rd qtr.	5.9	30.3	15.4	+6,995	168	+792	10.00
4th qtr.	7.6	15.3	14.1	+10,516	2,614	+444	11.00
1987							
1st qtr.	1.2	20.6	20.2	+4,733	1,465	+952	10.00
2nd qtr	3.3	29.7	29.3	+8,554	1,804	+1,033	9.00
3rd qtr	5.1	25.2	21.7	+11,445	1,211	+849	10.00
March	-3.8	39.9	29.4	+2,062	547	+399	10.00
April	0.1	20.9	23.6	+1,973	727	+419	9.50
May	5.5	37.5	32.5	+2,650	531	+294	9.00
June	4.5	30.8	21.9	+3,931	556	+329	9.00
July	7.7	34.5	24.2	+4,875	347	+241	9.00
Aug.	7.1	22.5	21.0	+2,187	667	+296	10.00
Sept.	9.6	19.5	20.3	+4,383	197	+402	10.00
Oct.					812		9.50

INFLATION-Indices of earnings (Jan 1980=100); basic materials and fuels; wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg*	RPI*	Foods	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.3	96.5	96.9	1,825	75.1
2nd qtr.	184.0	135.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,608	68.2
1987							
1st qtr.	192.0	129.3	149.3	100.3	100.5	1,590	69.9
2nd qtr	196.0	128.7	150.9	101.9	101.8	1,596	72.8
3rd qtr	202.1	131.0	151.6	102.1	100.5	1,647	72.7
March	194.5	128.2	148.7	100.6	100.7	1,596	71.8
April	196.0	128.4	150.5	101.8	101.5	1,584	72.8
May	196.1	130.0	151.0	101.9	101.2	1,518	73.3
June	200.9	129.7	151.1	101.9	101.3	1,526	72.3
July	202.1	130.5	151.5	101.8	100.4	1,632	72.8
Aug.	201.6	131.3	151.2	102.1	100.7	1,677	72.6
Sept.	201.6	131.1	151.9	102.4	100.4	1,653	73.1
Oct.		130.6	153.7	102.9	101.1	1,653	72.6

*Not seasonally adjusted
†Net change in amounts outstanding, excluding bank loans.

French trade gap widens

By Our Paris Staff

THE French trade balance deteriorated sharply in October, partly because of continued high levels of consumer spending, intensified by September's cut in VAT on cars.

The news, which was described as "worrying" by Mr Jacques Chirac, the Prime Minister, provoked a downturn in the Paris stock market.

The seasonally adjusted deficit for October of FFr4.9bn ($855m), marked a sharp deterioration on September (FFr2.4bn) and August (FFr1.1bn), and brings the total for the first 10 months of 1987 to FFr31.2bn.

The balance of trade in industrial goods showed a deficit of FFr3bn, compared with FFr800m in September and a surplus of FFr1.2bn in August. The boom in car sales chalked up a deficit in this sector of FFr500m, compared with an average surplus of FFr600m during the first 10 months of the year.

The French current account deficit for the first 10 months reached FFr17.2bn, compared with a surplus of FFr18.1bn for the same period of 1987.

Mitterrand's party funds card trumps right's Iran ace

BY IAN DAVIDSON IN PARIS

WITH HIS call for immediate legislation to control the finances of France's political parties and their election spending, President Francois Mitterrand has achieved a neat political coup. He has underlined the divisions in the centre-right coalition Government and forced its dominant party, Mr Jacques Chirac's RPR Gaullists, on to the defensive.

The centrists in the coalition *have, to varying degrees*, welcomed the President's initiative, and endorsed the idea that there should at last be some principles of regulation and transparency to govern the party system. Mr Raymond Barre, standard-bearer of the centre-right and Mr Chirac's chief rival in next spring's presidential election, has already committed himself to a *referendum on party political* finances as part of his campaign platform.

The Gaullists, by contrast, have always been resistant to any legal regulation of party finances, but they are hard pressed to put forward any reasonable-sounding objections of principle.

Mr Andre Rossinot, Gaullist Minister for Relations with Parliament, wrapped himself in the collective democratic dignity of the National Assembly, and said: "Parliament has no intention of working under the pressure of a political party. It has no intention of giving in to orders, even were they to be those of the President of the Republic."

He said that the Government wanted the *legal* committees of the Senate and National Assembly to engage in a task of profound reflection on the financing of the political parties. Mr Pierre *Messmer, former Prime Minister* and leader of the Gaullists in the Assembly, was less diplomatic: "We shall take care of this business when we are ready... We are stupefied that the President should ask the Government to complete in six weeks what he did not do in six years."

In his radio interview on Monday night, President Mitterrand called for *immediate legislation*, "so as to settle, once and for all, a question which has poisoned the life of the Republic for for over a hundred years." He urged that legislation be passed before the end of the current parliamentary session in December to regulate party finances and election spending, and to put a ceiling on expenses. If time were too short, he was prepared to convene a special parliamentary session in January.

Everyone knows that his proposal was, at least in its timing, a tactical device to distract public attention from the 1982-86 arms-for-Iran scandal, from which (according to totally unconfirmed allegations) the governing Socialist party of the day may have benefited financially. But the device seems to have succeeded, at least in the short run.

The succession of scandals in *which left and right have* thrown mud at each other has focused public attention on some of the murkier aspects of the political system, and Socialist allegations that the Gaullists used the privatisation programme to favour their political friends in the business world, though unproved, may have tarnished the Gaullists' image.

Moreover, it emphasises that the level of campaign spending has appeared to spiral ever upwards.

Raymond Barre says his campaign will cost FFr200m, Jacques Toubon of the Gaullists says Mr Chirac's campaign will cost FFr100-200m, President Mitterrand says a presidential campaign could cost FFr100, and Andre Lajoignie, the Communist, is aiming more modestly for FFr80m.

Austrian party chief quits over Jewish jibe

By Judy Dempsey

THE head of Austria's conservative People's Party (OEVP) resigned yesterday following controversial and insensitive remarks he made in a French magazine.

Mr Michael Graff, who openly supported Mr Kurt Waldheim in his presidential campaign, said last week in L'Express magazine that "as long as it had not been proven that he (Mr Waldheim) strangled six Jews with his own hands, (there was) no problem."

The remarks were in response to claims that Mr Waldheim knew about or was involved in deportating thousands of Greek Jews from Salonika to concentration camps during the Second World War as well as the murder of thousands of Yugoslav partisans. Mr Waldheim has consistently denied *these allegations*.

At a news conference yesterday, Mr Graff apologised saying that "one cannot demand political responsibility from other people and not demand it *from* oneself."

Following Mr Graff's resignation, Mr Waldheim's office issued a statement saying that "this incident should remind us once again that human dignity must be the highest criterion for all our words and deeds."

Beaujolais Nouveau launched on a tide of hype

TIPPLERS around the world looked forward yesterday to the annual launch of Beaujolais Nouveau, intrigued by the prospect that the popular French red wine will this year taste of bananas, Reuter reports. Connoisseurs promised a treat for imbibers as preparations went ahead for the traditional race to *rush thousands of bottles around* the world at the stroke of midnight.

Mr Andre Rebut, president of the Beaujolais Union, said the 1987 wine was likely to be of a high quality in spite of bad weather in May and June. A late burst of sunshine in September allowed the grapes to ripen rapidly, giving a higher than average sugar level and lower acidity. *The 1987 wine had an "extraordinary fruitiness,"* with the taste of fresh grapes and bananas.

Teams of drivers prepared to race 350 cars packed with wine from the Beaujolais district to Britain, while Air France planned three special flights today to carry the wine to Japan.

Marketing agencies have ensured the worldwide success of Beaujolais Nouveau, which was originally drunk in the 1930s as a cheap table wine in the city of Lyon. With half the annual output of Beaujolais going for export, the wine once regarded as an innocuous drink favoured by vineyard workers has become the region's most important product.

In 1970, new or "primeur" Beaujolais represented just 17 *per cent of the region's sales*. Last year the new wine made up 55 per cent of total Beaujolais sales.

The grapes are picked at the end of September and drunk soon after bottling. Experts say Beaujolais Nouveau should not be drunk after Christmas, as it goes sour quickly unlike most other wines which benefit from being stored.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: D. Albino, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1. Tel: 75980; Tlx: 416193; FAX: 722677.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

●Congress report blasts dishonesty and deception ●Never again must NSC engage in covert operations, say committees

Iran-Contra affair showed confusion at the highest level

The following is an edited version of the executive summary of the 690-page congressional report on the Iran-Contra affair

Starting in 1983 Congress imposed increasingly restrictive laws on US aid to the Contra rebels in Nicaragua.

The President felt strongly about the Contras, and he ordered his staff, in the words of his National Security Adviser, to find a way to keep the Contras "body and soul together." Thus began the story of how the staff of the White House advisory body, the National Security Council, became an operational entity that secretly ran the Contra assistance effort, and later the Iran initiative.

The action officer placed in charge of both operations was Lt Col Oliver L. North.

Between June 1984 and the beginning of 1986, the President, his National Security Adviser and the NSC secretly raised $34m for the Contras from other countries. An additional $2.7m was provided for the Contras during 1985 and 1986 from private contributors.

The first contributions were sent by the donors to bank accounts controlled and used by the Contras. However, in July 1985, North took control of the fund and - with the support of two National Security Advisers (Robert McFarlane and John Poindexter) and, according to North, CIA director William Casey - used those funds to run the covert operation to support the Contras.

At the suggestion of William Casey, North recruited Richard V. Secord, a retired Air Force major-general with experience in special operations. Secord set up Swiss bank accounts, and North steered future donations into these accounts. Using these funds, and funds later generated by the Iran arms sales, Secord and his associate, Albert Hakim, created what they called the Enterprise, a private organisation designed to engage in covert activities on behalf of the US.

Oliver North: directed both covert operations

John Poindexter: shredded and altered documents

Robert McFarlane: gave false a account of events

Richard Secord: experienced in special operations

William Casey: encouragement to Oliver North

The Enterprise, functioning largely at North's direction, had its own aircraft, pilots, airfield, operatives, ship, secure communications devices, and secret Swiss bank accounts.

For 16 months it served as a secret arm of the NSC staff, carrying out with private and non-appropriated money, and without accountability or restriction imposed by law on the CIA, a covert Contra aid programme.

By executive order and National Security decision directive issued by President Reagan, all covert operations must be approved by the President personally and in writing. By statute, Congress must be notified about each covert action.

The covert action directed by North, however, was not approved by the President in writing. Congress was not notified about it. And the funds to support it were never accounted for.

Iran

The NSC staff was already engaged in covert operations through Secord when, in the summer of 1985, the government of Israel proposed that missiles be sold to Iran in return for the release of seven American hostages held in Lebanon.

In the summer of 1985 the President authorised Israel to proceed with the sales. The NSC staff conducting the Contra covert action also took operational control of implementing the President's decision on arms sales to Iran.

The President did not sign a "finding" for this covert operation, nor did he notify Congress. There followed a series of arms-for-hostages swaps between the US and Iran in late 1985 to September 1986, using unidentified intermediaries in Tehran.

In February 1986, the US, acting through the Enterprise, sold 1,000 TOW missiles to the Iranians. The US also provided the Iranians with military intelligence about Iraq. All the remaining American hostages were supposed to be released upon Iran's receipt of the first 500 TOWs. None was. The difference between what the Enterprise paid the US for the missiles and what it received from Iran was more than $6m. North directed part of this profit to the Contras and for other covert operations. Poindexter testified that he authorised this "diversion."

In September and October 1986, the NSC staff began negotiating with a new group of Iranians, the "Second Channel," that Albert Hakim had opened, in part, through promises of bribes. Once again, the Administration insisted on release of all the hostages but settled for less.

The decision to designate private parties to carry out the arms transaction had other ramifications. There was virtually no accounting for the profits from the arms deal. All told, the Enterprise received nearly $48m from the sale of arms to the Contras and Iran, and a contribution directed to it by North.

The cover-up

The Administration went to considerable lengths to avoid notifying Congress.

While the President was denying any illegality, his subordinates were engaging in a cover up. Several of his advisers had expressed concern that the 1985 sales violated the Arms Export Control Act, and the "cover story" had been agreed on if these arms sales were ever exposed. After North had three conversations on November 18 1986 about the legal problems with the 1985 Israeli shipments, he, Poindexter, Casey, and McFarlane all told conforming false stories about US involvement in the shipments.

On learning that the President had authorised Attorney General Ed Meese to gather the relevant facts, North and Poindexter shredded and altered official documents on November 21 1986, and later that weekend. On November 25 1986, North's secretary concealed classified documents in her clothing and, with North's knowledge, removed them from the White House.

According to North, a "fall guy" plan was proposed by Casey in which North and, if necessary, Poindexter, would take the responsibility for the covert Contra support operation and the diversion.

The diversion was discovered on November 22 1986, when a Justice Department official, assisting the Attorney General's fact-finding inquiry, found a "diversion memorandum" that had escaped the shredder.

Prior to the discovery of the diversion memorandum, each interview by the Attorney General's fact-finding team had been conducted in the presence of two witnesses, and careful notes were taken in accordance with standard professional practices. After discovery of the diversion memorandum - which itself gave rise to an inference of serious wrongdoing - the Attorney General departed from the standard practices.

Conclusions

The common ingredients of Iran and Contra policies were secrecy, deception and disdain for the law.

● The Administration's departure from democratic processes created the conditions for policy failure, and led to contradictions which undermined the credibility of the US.

● The record of the Iran Contra affairs shows a seriously flawed policy-making process. There was confusion and disarray at the highest levels of government.

● The Iran-Contra affair was characterised by pervasive dishonesty and inordinate secrecy.

● The NSC staff turned to private parties and third countries to do the government's business. Funds denied by Congress were obtained by the Administration from third countries and private citizens.

● The solicitation of foreign funds by an Administration to pursue foreign policy goals rejected by Congress is dangerous and improper.

● The confusion, deception and privatisation which marked the affair were the inevitable products of an attempt to avoid accountability. Congress, the Cabinet, and the Joint Chiefs of Staff were denied information and excluded from the decision-making process.

Democratic procedures were disregarded. The NSC staff was created to give the President policy advice on major national security and foreign policy issues. Here it was used to gather intelligence and conduct covert operations - a departure from its proper functions.

It is the judgment of these committees that the NSC staff should never again engage in covert operations.

● Administration officials holding no elected office repeatedly showed disrespect for Congress's efforts to perform its constitutional oversight role in foreign policy.

● Who was responsible? The central figure was Lt Col North, who co-ordinated all of the activities and was involved in all aspects of the secret operations.

But he had the express approval of Admiral John Poindexter and at least the tacit support of Robert McFarlane. In addition we believe that the William Casey encouraged North, gave him direction, and promoted the concept of an extra legal covert organisation.

Nevertheless, the ultimate responsibility for the events in the affair must rest with the President. If the President did not know what his National Security Advisers were doing, he should have.

It was the President's policy - not an isolated decision by North or Poindexter - to sell arms secretly to Iran and to maintain the Contras.

Several of the President's advisers lied, shredded documents and covered up their actions. These facts have been on the public record for months, but the President has yet to condemn their conduct.

The President created or at least tolerated an environment where those who did know of the diversion believed with certainty they were carrying out the President's policies.

In a constitutional democracy it is not true, as one official maintained that "when you take the king's shilling, you do the king's bidding." The idea of monarchy was rejected here 200 years ago and since then the law has been paramount. For not instilling this precept in his staff, for failing to take care that the law reigned supreme, the President bears the responsibility.

Greenspan rejects charges of Treasury takeover of the Fed

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE chairman of the US Federal Reserve Board, Mr Alan Greenspan, yesterday vigorously rejected charges that the Fed was losing its independence to the Treasury.

Challenged at a Congressional hearing into bank regulation reform to quash suggestions that the US Treasury was controlling monetary policy, Mr Greenspan said: "I know of no Fed policy actions which are affected by the Treasury. The Central Bank does not solicit the Treasury's views on policy actions but it does try to co-ordinate with the department to prevent policy conflicts to the greatest extent possible."

Recent comments on monetary policy by Mr James Baker, the Treasury Secretary, and the close relationship between Mr Greenspan and the White House has fostered fears on Wall Street that Mr Greenspan will go too far in trying to head off the threat of recession rather than vigorously combat inflation.

Mr Greenspan, an enthusiastic advocate of bank regulatory reform, said the Federal Reserve favoured the repeal of the 1933 Glass-Steagall Act which prevents commercial banks from acting as securities underwriters.

He said preliminary studies following the stock market crash confirmed judgments that the greater risks in the securities business could be managed prudently, but it was for Congress to craft rules which would reduce the risks.

He said the Fed believed a holding company structure which would keep commercial banking and securities activities separate was needed. This would ensure that any losses by a securities affiliate of a banking group would not be reflected in the balance sheet or income statement of the core bank.

The Fed chairman also listed other desirable regulations including a regulation requiring banks not to lend to issuers of securities underwritten by an affiliate for the purpose of paying interest or principal on securities.

Mr Greenspan's views are not universally shared within the Federal Reserve system. Critics argue that it is harder than he assumes to prevent the difficulties of a securities affiliate from infecting and damaging the business of a commercial bank in the same group even when a holding company structure is employed. Others argue that the additional regulation required to ensure that the businesses are kept separate are so onerous that it is hard to understand why a banking company would submit to them, and that as a result when regulations are actually written they will not be tough enough.

Brazil agrees conversion of foreign debt to equity

BY IVO DAWNAY IN RIO DE JANEIRO

THE BRAZILIAN government has agreed outline terms for foreign creditors to convert their loans into equity, through a system of auctions to be administered by the Central Bank.

Foreign bankers guardedly welcomed the proposals, as they were more flexible and transparent than expected. But the scheme ran into immediate opposition from some Brazilian politicians, who oppose all such projects in principle.

Debt-to-equity conversions had been continuing under an earlier system until April. Since then creditors have sought Central Bank approval for some $500m of conversions, but only one small deal has been publicised as approved. The new proposals are intended as the framework for a permanent system alongside other measures to reduce Brazil's $113bn debt burden.

Analysts believe the country can absorb a maximum of some $2bn in conversions a year without unduly fuelling the money supply. The Central Bank intends to regulate the system with a variable monthly ceiling on the sums up for auction.

The scheme is slightly more liberal than some bankers had expected on profit remittance and the lock-in of converted capital, requiring those qualifying to keep converted funds within the country for 12 years, not 15 as some had feared. All existing deposits with the Central Bank - as well as loans falling due - may enter the programme, even if ownership of credits has been transferred from the original creditor, though with slightly different treatment in each case.

Bankers are likely to want clarified the exact criteria for qualification, particularly rules demanding applicants to first subscribe to the soon-to-be-created Brazilian conversion bonds.

US official in attack on Asian trade policies

By Nancy Dunne in Washington

THE US has launched a fierce attack on the major trading nations of the Pacific rim for predatory behaviour in failing to revalue their currency or open their markets.

In a speech in San Francisco, the assistant treasury secretary, Mr David Mulford, expressed growing US frustration with the Asians' failure to act on trade imbalances. He directed his fire particularly at Korea and Taiwan. "They have yet to demonstrate that they are responsible trading partners," he said.

Korea, Taiwan, Hong Kong and Singapore now account for the fastest-growing component of the US trade deficit. Taiwan's current account surplus is likely to top $19bn this year, 20 per cent of its GNP, and its $70bn reserves are unjustifiable, he said.

Korea will achieve, through dramatic increases in exports of cars and electronics, a current account surplus of about $10bn, he said.

The treasury official seemed to endorse a study which concluded that a 10 to 15 per cent currency revaluation was required by the Asian countries.

He called on Korea and Taiwan to reduce quickly their tariffs, eliminate licensing requirements and abolish import barriers. It is not good enough, he said, to send special buying missions to the US or arrange financing to induce importers to buy US goods because these were only short-term palliatives.

Embraer starts fight to avert trade war with US

BY OUR RIO DE JANEIRO CORRESPONDENT

EMBRAER, the Brazilian state-owned aircraft manufacturer, yesterday launched a campaign to persuade the government to act to avert a trade war with the US.

The company claims that its sales and investments in the US, valued at $1bn, are a prime target for American retaliation against Brazil's protected market for information technology and software.

Despite the warning, politicians in the Senate were preparing yesterday to push forward legislation that would escalate trade tensions.

The measures proposed, including a ban on profit, dividend and interest remittances abroad, would all but paralyse US companies in Brazil.

Last year, Brazil exported $6.2bn in goods and services to the US - by far its largest trading partner.

Embraer has had remarkable success with its 30-seater commuter turbo-prop plane, the Brasilia, in the US, dominating the market with sales of 100 units to regional airlines with options for 109 more.

It fears that even a 5 per cent increase in tariffs would render this business unviable, thereby threatening the future of the company. Competition in the sector is ferocious with four other foreign aircraft makers - De Havilland, Saab, ATR and Shorts - all battling for business.

Mr Ozilio Silva, Embraer's chief executive, has warned that the row over Brazil's refusal to license the sale of Microsoft's microcomputer software, which triggered the retaliation threat, would have wide-ranging implications for the country.

Housing starts fall

US housing starts, apparently responding to higher interest rates in October, fell by 8 per cent from the previous month to a seasonally adjusted rate of 1.5m units, the Commerce Department said yesterday, **Nancy Dunne reports from Washington.**

OVERSEAS NEWS

IAEA agrees to Iran's plea for nuclear inspectors

BY JOAN WUCHER KING IN LONDON

THE International Atomic Energy Agency (IAEA) yesterday conditionally agreed to Iran's request that it send inspectors to the damaged nuclear power plant at Bushehr, bombed by Iraq on Tuesday. The plant, partially completed when work stopped in 1979, suffered two direct strikes which destroyed a control station.

The IAEA received three telexes from the Iranian Government after the bombing, informing the agency of the attacks and requesting a visit by safeguards inspectors and an expert mission on nuclear safety and radiological protection.

Mr Hans Blix, the IAEA director-general, yesterday expressed regret for the loss of life in the attack.

While the IAEA was ready to offer assistance, it needed more information to provide appropriate help. But it was stressed that the agency's preliminary opinion, based on existing information on the amount and nature of nuclear material at Bushehr, was that there is no significant radiological hazard to the public.

A West German engineer employed by West Germany's Technische Ueberwachungs Verein (Technical Inspection Association), Mr Jurgen Friedrichs, was among 11 people killed in the Iraqi air raids, along with an official of the Iranian Atomic Energy Agency. Their presence at the site, and the maintenance and testing work carried out, suggest that the Iranians are moving towards completing work on the site in future.

The West German Foreign Ministry said that the West German supervisory company had been warned of the danger of working at Bushehr. However, the company claims it received assurances that Iraq had pledged not to attack nuclear plants for peaceful purposes. The company now plans to send its remaining 12 workers home.

Work on the Bushehr site began in the mid-1970s, under contract to the West German company, Kraftwerk Union. Construction was suspended at the time of the revolution.

Although the IAEA rates the plant as being far from operational, the Iranians transferred an undisclosed additional amount of nuclear material to the plant in February. It was stressed by the IAEA yesterday that even if a missile scored a direct hit on this material, the resultant spread of potentially radioactive material would be very small.

Dhaka hopes for early end to political crisis

By Sayed Kamaluddin in Dhaka

THE BANGLADESH government yesterday appeared hopeful that the political crisis could be resolved soon in spite of a negative response from one of the two main opposition parties to reaching a negotiated settlement.

The government is basing its hopes on divisions between the two main opposition groupings. The Bangladesh Nationalist Party (BNP) has apparently rejected government approaches, but the Awami League appears to be prepared to discuss terms.

The alliance of opposition parties launched a series of strikes and demonstrations earlier this month which have claimed at least a dozen lives and caused injuries to several hundred people. These were aimed at bringing about the resignation of President Hussain Mohammed Ershad and the installation of a neutral caretaker government under which mid-term polls would be held to elect a new parliament.

The opposition accused President Ershad of rigging the May parliamentary polls last year in favour of his ruling Jatiya Party.

Begum Khaleda Zia, the leader of the BNP - one of the two mainline opposition alliances - is believed to have rejected outright feelers from the government for reaching any understanding because the party believes that it cannot talk to an administration headed by Mr Ershad. The Awami League, the other main opposition party, led by Sheikh Hasina is understood to have agreed to discuss the terms.

Paris Club agrees to Senegal debt plan

THE Paris Club of creditor nations has agreed to reschedule Senegal's official debt by allowing repayments to be stretched over 16 years, Reuter reports from Paris.

The agreement includes a six-year grace period, the French Finance Ministry said yesterday.

The ministry acts as a secretariat for the Paris Club group of creditor governments.

It said in a statement that seven creditors took part in negotiations in Paris on Tuesday with a delegation from Senegal led by Mr Mamoudou Toure, the Finance Minister.

It gave no details of the amount rescheduled.

The ministry said creditors noted with satisfaction Senegal's implementation of an economic and financial programme supported by a stand-by arrangement with the International Monetary Fund (IMF) approved last month.

"They took note of the very heavy debt service obligations, in conjunction with very low per capita income, which in the Republic of Senegal's case, taking account of its very rigorous structural adjustment policy, were deemed to call for exceptional treatment of the debt," the statement said.

Mr Toure said in April that his country's global foreign debt, excluding short-term commercial debt, amounted to CFAfr800bn ($2.7bn).

He said at the time that for the budgetary year ending mid-1987, debt servicing absorbed 50 per cent of Senegal's budgetary reserves and 27 per cent of export revenues.

The 16-year repayment period is longer than that traditionally granted by the Paris Club but corresponds to the more flexible conditions urged for some African debtors by Mr Edouard Balladur, the French Finance Minister, earlier this year.

Countries taking part in the rescheduling talks were France, Italy, Norway, Spain, Switzerland, West Germany and the US.

Tony Walker reports on an uncomfortable anniversary

Decade of bitter peace

NOTHING illustrates better the gap in attitudes towards the 1979 peace treaty between Israel and Egypt than the two countries' differing approaches towards the 10th anniversary of late President Anwar Sadat's dramatic visit to Jerusalem.

In Israel, it has been marked by conferences on peace, fresh calls for a dialogue with the Arabs and well-publicised memoirs of participants in the Camp David peace treaty process. Israeli journalists have been despatched to Cairo to test the mood 10 years after Mr Sadat, defying many advisers including his Foreign Minister, flew to Jerusalem on November 19, 1977 to see Prime Minister Menachem Begin, breaking for ever the mould of Middle East politics. The reporters have had a hard time finding much Egyptian response.

Anwar Sadat and Menachem Begin at the historic meeting in Jerusalem in 1977

Those in government circles are particularly reluctant to draw attention to what remains an uncomfortable fact, for a country striving to refurbish its Arab credentials.

Less constrained are prominent figures who fell out with Mr Sadat over his visit to Jerusalem, breaking ranks with the rest of the Arab world, which wanted a united front demanding Israel vacate occupied territory in the Sinai, West Bank, Gaza Strip and the Golan Heights. Ismail Fahmy, former Foreign Minister who resigned over the Sadat visit, said "nothing has been achieved" in the past decade to resolve the underlying Arab-Israel dispute.

He acknowledged there had been gains, such as the return of the Sinai and 10 years of peace between Egypt and Israel, but said the price for the Arabs had been too high. If Mr Sadat had resisted the temptation of a separate peace with Israel, progress would have been made towards solving the Palestinian problem. Instead, the situation had "changed completely" and the Jewish settlement drive in the West Bank and Gaza had placed additional obstacles to peace.

Mr Mohammed Ibrahim Kamal - who succeeded Mr Fahmy as Foreign Minister and subsequently resigned in protest at the terms of the 1978 Camp David agreement, whose second stage should have led to autonomy for Palestinians under occupation - blamed Mr Sadat for capitulating to the Americans and Israelis, thus putting no effective barriers in the way of Jewish settlements that have changed the face of the West Bank and Gaza. The lack of US restraint on Israel, encouraged by Camp David's flexible terms, allowed Israel to take liberties with a divided Arab world.

He also cited the 1981 attack on Iraq's nuclear reactor, the 1982 invasion of Lebanon and occupation of Beirut, and the 1985 air strike against the Palestine Liberation Organisation's Tunis headquarters as examples of Israeli "adventurism" encouraged by the Camp David regime.

Mr Kamal welcomed the results of last week's emergency Arab summit in Amman, clearing the way for Arab states to resume relations with Egypt suspended over Cairo's signing of the 1979 peace treaty. He praised Egyptian President Hosni Mubarak's efforts to build bridges to Arab neighbours. "I feel that had Sadat survived," Mr Kamal said, "he would have succumbed more to US and Israeli pressure to consolidate divisions" (within the Arab world).

Egyptian Foreign Ministry officials are more circumspect, only saying Israel's own behaviour and its rightist governments - headed first by Mr Begin and now by Mr Yitzhak Shamir - had made it hard for Egypt to broaden peace.

"If you have a government (in Israel) pushing towards extremism and against any kind of dialogue such as an international conference, how can you have an exchange?" said one highly placed official. He added: "We have done our best to keep the maximum of our commitments to Israel...We have adhered to the spirit and letter (of the treaty) more than the other partner."

Egypt's one gesture to the anniversary was to despatch former Prime Minister Mustapha Khalil - who accompanied Mr Sadat to Israel in 1977 - on a private mission to Israel. Mr Khalil said: "I think the peace agreement...has proved itself as something here to stay."

Mr Khalil is probably right, but to many Egyptians, including those in senior positions, the peace treaty is akin to a loveless marriage of opposites that survives only because it suits both parties.

Editorial comment, Page 24

Bhopal talks fuel opposition

POLITICAL opposition is beginning to build up against the Indian Government reaching an out of court settlement with Union Carbide over the lethal gas leak at its Bhopal plant nearly three years ago when more than 2,500 people were killed, **John Elliott reports from New Delhi.**

Yesterday a judge in the Bhopal District Court summoned the government and company to a hearing on November 27 to agree on a "time bound programme" for hearing the applications.

Lawyers for both parties said that negotiations on a settlement were in progress and that they favoured setting time limits.

A year ago the Indian Government said its compensation claims totalled $3bn. But negotiations for an out of court settlement may envisage figures as low as $600m.

These reports have sparked the concern about such a settlement, and this week there have been demonstrations in Delhi and Bhopal. Yesterday in Parliament MPs said that the government should obtain urgent interim relief.

Japan's shipyards 'retire' employees

BY HIROKO ASAMI IN TOKYO

HIROSHI Murakami lost his job earlier this year. After 25 years of typically dedicated service with Hitachi Zosen, one of Japan's major shipbuilders, he was "voluntarily retired." For Westerners, this translates as redundancy.

Mr Murakami, who lives on the small island of Innoshima, near Hiroshima, is one of thousands of shipyard workers who have been voluntarily retired this year as Japan slashes its shipbuilding capacity.

Like many others, he was taken by surprise. "I believed our work was different from oil or coalmining. I thought we would always have a job for as long as the sea existed," he said.

However, the reality is that in shipbuilding, at least, the concept of a job for life, one of the central features of Japanese industrial culture, is a thing of the past.

The seven major shipbuilders – Mitsubishi, Kawasaki, IHI, Mitsui, Sumitomo, Nippon Kokan and Hitachi Zosen – have made 14,000 workers redundant, 38 per cent of the workforce, in an attempt to cope with a prolonged shipbuilding recession exacerbated by the increasingly strong yen.

The redundancy programme has had the broad support of the Japan Confederation of Shipbuilding and Engineering Workers' Unions, which has maintained its traditionally close relationship with management.

However, the scale of the redundancies has placed the unions in an awkward position, and this may explain the innovative technique adopted by shipyard managements to handle the redundancy programme.

There have been few protests. "When the company proposed its mammoth personnel rationalisation in October 1985, few opposed it; almost everyone agreed the company had to come first," said Mr Yasuo Aisaka, head of the Hitachi Zosen union.

Hitachi Zosen is the worst hit of the major builders. Heavily geared to exports, it has been badly affected by the climbing yen.

Even after disposing of property and securities worth Y125bn ($920m) Hitachi reported a loss of Y38bn for the 1986 financial year, and decided to concentrate new construction at the Ariake works in Kumamoto province and the Maizuru plant in Kyoto prefecture on the Japan Sea.

Almost 3,100 of the 3,300 workforce have left, and the remainder will handle only ship-repairing business. However, the redundant workers appear to have accepted their fate calmly.

Union activists planned some protest meetings, but they were cancelled because of lack of support. Takashi Sakagami, a 52-year-old naval architect, says: "Given the sluggish business climate in world shipbuilding, job cuts were inevitable, especially when you consider Hitachi's enormous losses."

Others are grateful to the company for providing high living standards in the past. Every family on the island owns a car, and about 70 per cent of the 12,000 houses are owner-occupied, thanks to a housing loan scheme started by Hitachi in the 1950s. Some have now been asked to pay back outstanding loans in advance from their retirement allowances.

The closure of the shipyard will have a major effect on the island's economy. Hitachi accounted for 82 per cent of manufacturing output in 1985, and the company's employees made up 65 per cent of the total workforce.

Municipal leaders accept that there is little chance, at least in the short term of replacing all the jobs which have been lost. So far, around 450 younger people have found jobs elsewhere, and Hitachi has set up 12 new companies to absorb about 800 workers (albeit at salaries about 20 per cent lower than in the shipyard).

The unemployed workers appear to be apathetic in the face of scarce jobs and low rates of pay. Some have taken jobs as cleaners or salesmen, earning only about half their previous salaries of some Y240,000 a month. Others are still receiving unemployment compensation, available for seven months, and, on average, higher than local salaries.

Mr Murakami is taking driving lessons as a result of discovering that this is demanded by most potential employers.

"I was happy working at Hitachi," he says thoughtfully. "Now, without the security, I realise my lack of qualifications." There are plenty of others who feel the same way.

WORLD TRADE NEWS

EC to delay effect of beef hormone ban

BY TIM DICKSON IN BRUSSELS

FARM ministers yesterday agreed at their meeting in Brussels to delay the effect of a ban on meat produced with hormones so that US imports of beef can continue to enter the Community until the end of 1988.

The 12-months transitional period was accepted by a qualified majority of member states after West Germany and the Netherlands had dropped objections to the plan, apparently to head off the threat of a new transatlantic trade war with the US. Belgium, Spain, Greece and Ireland, however, voted against.

The decision was taken after an acrimonious debate which held up the main discussion on EC farm spending and which left many observers confused. Diplomats and Community officials later confirmed the following points:

- The EC's ban on the use of artificial and natural hormones in meat production will go ahead as planned from January 1 next year.
- Meat which has been implanted with so-called growth promoters - either inside the Community before the January 1 deadline or outside the EC in countries like the US where hormones will continue to be widely used - will enjoy access to EC markets under existing bilateral trade agreements up to January 1, 1989. This means that an estimated $130m of US meat exports to the EC (mostly in the form of offal) will be safeguarded for another year, as well as smaller quantities from countries like Argentina and Australia.
- The European Commission, in the forum of the beef management committee, which comprises representatives of the member states, will decide whether meat implanted with hormones before January 1 will qualify for price support under the Community's guaranteed intervention system. This is of major concern to France, the only country yet to come into line with EC legislation and which is still producing meat with the help of hormones.

Yesterday's discussion was complicated by French concern that a continuation of the status quo on trade for 12 months would actually discriminate against its producers. Mr Francois Guillaume, the French Agriculture Minister, promised that French meat would be hormone free by April 1 next year and is understood to have received assurances from West Germany and Italy that French beef exports to those countries thereafter would benefit from easier access.

The EC hormone ban, agreed in December 1985 after strong consumer pressure, is seen by the US as politically motivated and without scientific justification. Washington had been hoping for an 18 month transitional period but seems likely to accept yesterday's compromise.

Japanese take to the foreign car

Carla Rapoport reports on the growing success of Japan's car imports

TWO years ago Austin Rover, the struggling UK car group, predicted it could triple its sales of cars to Japan within three to five years.

Many analysts, knowing of the group's severe marketing problems in the UK, must have raised their eyebrows at this starry-eyed optimism about the notoriously difficult Japanese market.

However, Austin Rover's Japanese distribution subsidiary has well outstripped its goal. Sales will be five times their 1985 level next year and Austin Rover Japan (ARJ) is now making an even more outrageous prediction. Within five years, it says, it will be into volume sales of cars.

Others have similar ambitions. Last week, GM signed a marketing deal with Suzuki to sell its cars through the Japanese company's dealer network. Only a few weeks earlier, Mitsubishi Motors agreed to sell the complete range of Daimler-Benz vehicles through its sales network. It seems possible that the days of complaining about cracking the Japanese market might be numbered.

"We're facing a turning point in the Japanese motor industry," said Mr Takanori Iida, marketing manager of Jaguar Japan, a subsidiary of the UK luxury car group. "There are so many new tie-ups between Japan and other automakers," he said, "and importers are now making real advances. Five years ago, no one could have imagined this would happen in Japan."

For Austin Rover, the turnround in the world's second largest car market is particularly apparent. The company's sales had been ticking over at about 2,000 units a year for the first half of the 1980s. Now, industry analysts predict the company could be selling 45,000 to 50,000 cars a year by 1992.

Officially, the company conservatively projects sales of around 30,000 units by that time. Even so, says Mr Peter Wood, president of ARJ: "If we'd said that 18 months ago, people would have laughed."

Indeed, the picture has changed dramatically in Japan for foreign car companies in that time. Since 1985, the most onerous import restrictions have disappeared, the yen exchange rate has gone in the importers' favour, and the image of foreign cars in Japan has improved. From 1.5 per cent of the total market in 1984, import penetration increased to just under 3 per cent last year and industry analysts now expect foreign cars to corral 5 per cent of the market within three years, and 10 per cent by 1995.

To put that in context, however, Japanese penetration of the West European car market already stands at 11 per cent and in North America 20.7 per cent. Both figures exclude cars produced at Japanese plants in the West.

BMW of West Germany has led the foreigners' attack on Japan. The company has enlarged its dealership network, set up innovative financing packages for its customers and heavily promoted its luxury image on Japanese television. As a result, BMW has shown tremendous growth in the last three years. The company predicts sales this year of 20,000 units and 30,000 units by 1990.

Austin Rover Japan, however, believes it can succeed at something BMW cannot: volume sales of medium-priced cars in Japan. "The big volume growth is not at the luxury end but at the middle part of the market. BMW led the way, but they are an expensive product," says Mr David Blume, ARJ's marketing director.

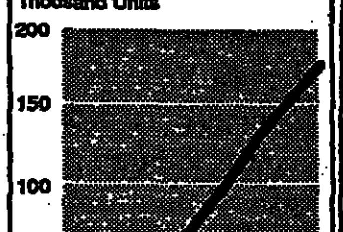
He argues that the biggest growth in the Japanese automobile sector will come in the range of cars priced from Y1.5m (£6,200) to Y2.5m (£10,400). ARJ is well-placed, offering five Austin Rover models, from the cheapest Mini at Y1.59m to the Rover at as much as Y4.3m, plus two models from the French Peugeot group, the 309 and the 205.

"We have a very unusual opportunity in Japan because no one else is here in all sectors. We are in the vanguard and we are leading the way in importing a whole range of cars, not just the most expensive," said Mr Wood.

Austin Rover's view of the market shift towards imports has been backed up by Ford. Mr Donald Petersen, chairman of Ford, recently told journalists in Tokyo that the company would be marketing its popular family car, Taurus, in Japan beginning next February. With the competition breathing down its neck, Austin Rover is moving quickly to expand its dealership network around Japan. From 48 dealers with zero exclusivity in 1985, Austin Rover now has about 80 dealers of whom about half are wholly devoted to selling the ARJ line of vehicles.

The company says that government regulations still add about 5 to 7 per cent to the cost of their cars in Japan. But the inspections are now just checks, not examinations, according to Mr Wood. "They aren't using the microscope anymore. The attitude used to be obstructive. If you spelled a word wrong, you were out. Now, they are helpful. Japan's policy now is to encourage importers," says Mr Blume.

Japanese Car Imports
Thousand Units



% of total car market							
1.28	1.24	1.5	1.75	2.27	2.92	4.0	5.4

A further help to the company is its deal with Honda, under which Honda produces the Rover in Japan, rendering it a Japanese car.

The group has been investing about $10m a year in Japan over the last two years. The profits made by the subsidiary are ploughed back into its own business. Mr Wood predicts that the profit flow from Japan to the UK head office will be "significant" by the early 1990s. "We aim to become the number one sales point outside the UK by 1995," he says.

"In the UK, foreign cars aren't even noticed on the road anymore," says Mr Wood. "We want to reach that level here."

New guide for borrowers set by World Bank

By Peter Montagnon, World Trade Editor

THE WORLD BANK has issued new guidelines to its borrower members in an effort to streamline procedures for screening companies interested in bidding for major projects which it finances in the developing world.

The guidelines are intended to standardise the eligibility criteria applied by borrowers in the pre-qualification stage of the bidding process. They emphasise only technical and financial competence as basic yardsticks.

Bank officials say they hope this will make pre-qualification procedures more transparent. It should put an end to the unnecessary effort previously incurred by companies who put in a pre-qualification bid for a given project only to discover they are disqualified for apparently arbitrary reasons that are not applied elsewhere.

Among the practices which they hope to outlaw are that of requiring previous experience in the borrower's own market.

"Transparency will create further credibility in the pre-qualification process. We feel that a more open system is a better system because it creates more confidence and will enhance competition," a senior procurement official said.

The new guidelines take the form of a technical note to borrowers by the World Bank, which finances some $18bn of projects a year, but infringement could theoretically lead to finance for a project being withdrawn because the borrower could be deemed in contravention of his basic loan agreement with the Bank.

Piaggio chief urges EC laws on Japan's motorcycle makers

BY DAVID LANE IN MILAN

UMBERTO Agnelli, chairman of motor-scooter manufacturer Piaggio, has called for tougher rules to govern the activities of Japanese companies in Europe.

Mr Agnelli wants the EC to introduce regulations to compel Japanese motorcycle makers to manufacture in Europe to sell in Common Market countries. Mr Agnelli said Japanese makers should not be allowed to continue operations at factories which merely, partially or totally, assembled parts made in Japan.

"It is a fundamental measure to keep the European industry alive and to prevent it from becoming a sales network for foreign products," Mr Agnelli said.

Piaggio's chairman was speaking at the unveiling of a new motor-scooter model, the "Cosa," to replace the familiar Vespa which has been in production for 40 years. During this period about 10m Vespas have been sold.

However, over the past decade European sales of motorcycles, scooters and mopeds have halved. Mr Agnelli said sales were expected to be 1.5m in the current year, against 3m in 1976.

Piaggio's chairman emphasised his concern about the increasing share of the market held by Japanese makers. This has doubled from 16 per cent in 1976 to 32 per cent.

Mr Agnelli said the European industry was in a worrying condition. He pointed to the death of the British industry, and drew attention to France, where Motobecane belongs to Yamaha while Peugeot uses its name on Honda scooters. Only Piaggio, which this year acquired the Austrian maker Puch, offers competiton to the Japanese.

The Piaggio group also includes the Spanish Motovespa and holds 30 per cent of the European market. "We are the only European company in this sector," Mr Agnelli said.

Piaggio has invested L35bn ($28m) in research and development and in new plant at its Pontedera factory. The success of the new scooter is crucial to the company which employs 5,300 people and has a turnover of L800bn.

Tokyo in offer on food row

By Ian Rodger

JAPAN has made an offer to the US aimed at settling the dispute over Japan's restrictions on imports of 12 food and agricultural products, according to the office of Mr Clayton Yeutter, US Trade Representative,

Mr Takeshi Sato, Japan's Minister of Agriculture, confirmed that Japan was "working seriously" on a proposal to lift partially the import restrictions

The US took its complaint to Gatt earlier this year and a disputes panel was set up to study it. There have been reports recently that the panel has concluded that Japan's quotas are unjustified in 10 of the 12 cases.

According to Gatt procedure, the report is intended to remain confidential for several few weeks to enable the two sides to try to reach a settlement privately.

The 12 products include evaporated milk, processed cheese, prepared beef and pork, fruit puree-paste, canned pineapples, non-citrus fruit juice, tomato ketchup, tomato sauce and grape sugar.

Gatt caution on services urged

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE General Agreement on Tariffs and Trade should adopt a cautious approach in negotiating away barriers to international trade in services and concentrate for the time being on developing an institutional and structural framework out of which more specific rules could evolve.

This is the main conclusion of an academic study prepared for a conference in Washington yesterday by Prof John Jackson of the University of Michigan.

The study is one of the first detailed assessments of procedures that might be adopted for incorprating services into the Gatt system. Its author warns that "it appears dangerous and probably impractical, to try to design sweeping rules, such as broad national treatment obligation, which apply to all services regardless of sector."

Prof Jackson supports the idea of international agreement to reduce barriers to trade in services, but calls for a step-by-step pragmatic approach.

His paper betrays reservations on US government proposals presented to Gatt earlier this month which sought to establish the general principle of national treatment (under which foreign and domestic suppliers have the same rights in national markets) as the cornerstone of its liberalisation effort.

"It is politically unlikely and probably unwise for nations to impose a national treatment obligation on service trade generally, including unnamed or unknown service sectors. National leaders would be understandably hesitant to enter into such 'blank cheque' type obligation," he argues.

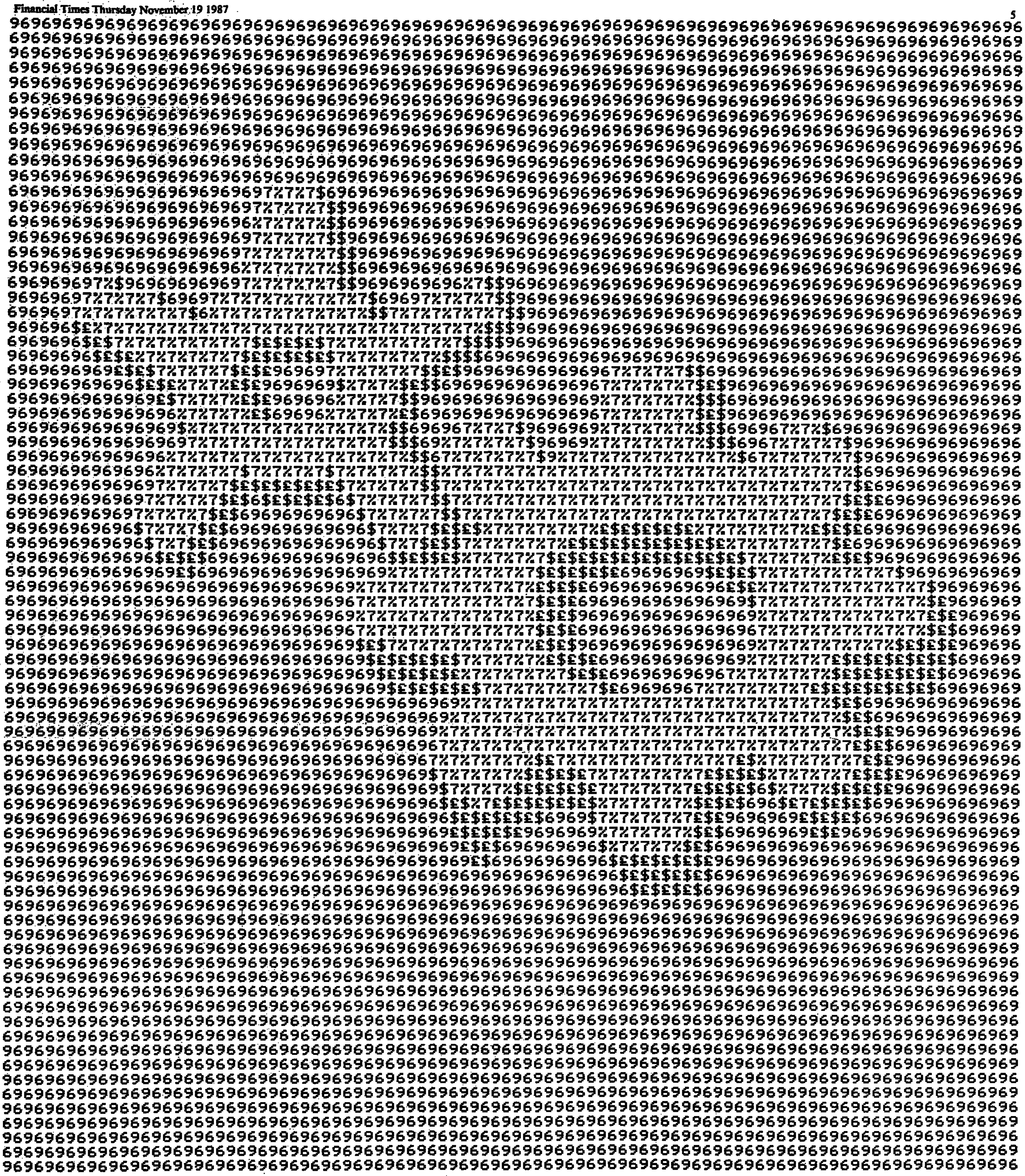
Instead the concept of national treatment could be built into an overall umbrella agreement on services as a goal or objective. Such an umbrella agreement, from which rules on specific service sectors could follow, should be relatively non-threatening so as to encourage as broad a participation as possible, Prof Jackson says.

Establishing detailed rules for services may take decades. Even though there is a risk of disappointment to specific firms or groups interested in short-term results, priority should be given to establishing the framework in which they can be negotiated.

An agreement on services cannot simply be incorporated into Gatt which is in any case flawed, and negotiators should learn from the mistakes of the past, he says.

Besides a broad statement of objectives, the umbrella agreement would establish an institutional mechanism for an agreement on services, including the creation of a secretariat, membership and voting rules, dispute settlement procedures and an obligation on members to provide information so that barriers to trade in services would become more transparent.

The umbrella agreement would also set out criteria for the negotiation of specific sectoral agreements with only four or five such codes negotiated at the outset.



MANAGEMENT: Marketing and Advertising

SELLING HOLIDAYS

Prices in Thomson's original brochure, launched in September, were superceded last week by "Discount '88" in an effort to win back lost market share

Has Thomson precipitated another price war?

David Churchill queries the UK group's switch in market strategy

MARKETING EXECUTIVES at Thomson Holidays, Britain's biggest package tour operator, have an anxious few weeks ahead of them. Having last week slashed the brochure prices for next summer's holidays by £18m, they now have to wait and see if consumers respond and book with Thomson rather than rival operators.

If successful, the Thomson price-cutting strategy will be seen as yet another marketing master-stroke from a company which has dominated the travel trade for the past few years.

But if it fails, or sparks off retaliatory price cuts from competitors, then Thomson could be forced to discount its holidays further - and push it and the industry into losses which could see many smaller tour operators go under.

The response so far from consumers to the Thomson price cuts, according to some sources in the travel trade, has been only lukewarm, although Thomson says it has been "quite encouraging."

While neither Thomson's marketing team nor the travel trade will really know the success or failure of the strategy for some weeks yet, the fact that price cuts were made at all came as a shock to the 3,000 delegates meeting in Innsbruck last week for the Association of British Travel Agents annual conference.

"I was very surprised at the move," says Richard Gapper, managing director of Pickfords Travel, one of the largest travel agency chains.

"We are so accustomed to Thomson getting its marketing right that when they are forced into making a U-turn it raises questions all round."

Only six weeks earlier, Thomson had launched its holiday brochures for summer 1988 with a clear message that price wars were now a thing of the past.

The impact of two summers of heavy price discounting on holidays - in which Thomson had been in the forefront - had sharply reduced tour operators' profit margins. Thomson's new strategy, therefore, was to move prices up and to switch emphasis to the quality of its holidays rather than their cheapness. A £5m advertising campaign was launched to bolster this theme.

But Thomson got its marketing strategy wrong. It misread both the market for early bookings as well as underestimating its competitors.

Early bookings are very important to the travel trade. Not only do they account for at least a third of all holidays sold but they also give the travel trade confidence that they will sell the rest in the first few months of the following year.

Holidays are very perishable commodities - hence the tendency to discount prices at the last minute to at least cover the cost of flights and hotel accommodation.

Many early bookers, moreover, are those who have to book early - either because they want to guarantee the holiday of their choice during school holidays, or because their employers set the weeks in which holidays must be taken while factories are shut down. This especially applies to customers in the Midlands and North.

These holidaymakers, therefore, are very aware of prices for children and for flying from regional airports and eagerly scan all the brochures as soon as they are launched to find the best deal.

Thomson, which is the market leader with a 30 per cent share of the market, appeared this year to forget this. But the International Leisure Group, Thomson's closest competitor with about a 20 per cent share of the market, did not.

Intasun, the main holiday brand of ILG, launched its brochure a few days before Thomson with a clever combination of prices which offered good deals both for children and holidaymakers who want to fly from regional airports.

Thomson, at the time of its own brochure launch, appeared unfazed by the Intasun pricing strategy. Yet it quickly became clear that many customers recognised the significant price differences for them.

Thomson's early season sales were reported to be between 20 and 60 per cent down on the same time last year. (Thomson says 20 per cent, while others go as high as 60 per cent.)

The galling fact for Thomson, moreover, was that all these "lost" sales were going straight to Intasun.

Not surprisingly, Thomson was in a dilemma. Should it keep to its original strategy of no price-cutting in the hope that sales would pick up after Christmas? Or should it respond immediately?

"We did not lose our nerve," insists Charles Newbold, managing director of Thomson Holidays. "But as market leader we had to react to stay in that position."

Yet many agents and operators feel that Thomson *did* lose its nerve. They feel that this could cause severe problems for the travel trade in the months ahead.

Their criticisms centre around the "Discount '88" slogan adopted by Thomson. "It creates the impression that prices will be tumbling all *next* year," said a number of agents at the ABTA conference.

Thomson's well-publicised price cuts will have signalled to many consumers that the price war of the last two years is far from over.

Last summer, those consumers who had the nerve to book late were rewarded with very cheap holiday deals. (Return flights only to most Mediterranean destinations were being sold for as little as £40.)

While package holidaymakers from France or West Germany, who share the same beaches as Britons in Spain and Greece, are prepared to pay realistic prices for the same kind of holiday - which surveys have shown are "significantly" higher than those in the UK - many British holidaymakers now come to expect to get two weeks in the sun for a virtual song.

Where does this leave Thomson's marketing strategy? At the moment, it is pressing ahead with its generic advertising campaign emphasising the reliability and popularity of Thomson holidays while at the same time using press advertisements to stress the tactical price cuts it has made.

Thomson clearly hopes that its discounts may do enough to win back the market share lost to Intasun but not so much as to hurt Intasun or other operators and force them to respond with their own price campaigns.

Thomson and the other leading tour operators will know by Christmas Eve - when most of the current brochure prices expire - whether or not a real fight is on the cards.

The holiday commercials on Christmas Day should be worth watching.

After the crash

A bullish view of bear markets

Feona McEwan on the advertising industry's general reaction to recent turmoil

WHAT DOES THE stock market crash mean for the advertising community? Will advertisers hold their nerve and continue to promote their products through any economic downturn or will they draw in their horns, revert to a policy of caution, and slash budgets as many did in the severe recession of the 1970s and some did in the dive of 1981?

Such questions are currently concentrating the minds of industry thinkers and their clients. In the UK, one agency chairman comments: "It's a case of watching all the indicators and trying to work out the knock-on effects. I keep wondering when the whole thing is going to blow up in my face."

Many are taking the "wait and see" approach. Without exception, ad agency chiefs, who are never ones to let the gloom show even when it is there, insist that there is no sign yet of clients panicking or reassessing their marketing approach. Indeed, most are agreed that, even in a recession, there would not be a repeat of the mass defections out of advertising by companies in the 1970s; most found the cost of clawing back market share exorbitant.

In the US the picture emerging is mixed. One major marketing company is toning down its budget forecasts by about 4 per cent when normally it would be adjusting them the other way.

Interpublic, meanwhile, the holding company for McCann-Erickson and Lintas worldwide, admits to making what it calls "contingency plans for cost containment," in the event of hitting rough water. According to Gene Beard, chief financial officer of the group, this is a fallback position if things don't work out. Such an event would not imply staff layoffs so much as an end to the hiring of new staff.

Meantime, George Schweitzer, vice president, corporate relations of Young and Rubicam in New York, comments that while "everyone is studying consumer markets carefully, there are very few indicators that there is anything to be disturbed about." He points out that auto sales, often one of the first signals of a recession, are buoyant and doing better than analysts predicted.

Mike Waterson, research director of the Advertising Assocation in the UK, pointed out the possibility of a crash in September's AA Forecast of Advertising Expenditure to mid-1989.

He predicted that "a massive fall in stock market prices, although not necessarily affecting the 'real' world of economic activity in many immediate senses, would inevitably bring in its train a major loss of business confidence, making it increasingly difficult for companies to raise capital and would, of course, create big problems for the government by making raising cash much more difficult. Such effects could spill over into the 'real' world and cause a major economic downturn."

With the crash now a fact, the AA has been inundated with callers wanting to know the prognosis for the industry. "Advertising is unquestionably linked to economic activity," Waterson says. "If economic activity goes down the pan for whatever reason, inevitably ad revenue is going to be hit."

However, he insists, in terms of the health of the UK economy, the very opposite is true. One of the best indicators here is job recruitment advertising, which Waterson explains is "booming as never before."

Latest published figures for regional newspaper classified recruitment advertising in the second quarter of this year show that there was a 37 per cent increase on the same quarter last year. The third quarter is expected to show an even higher rise.

Consumer expenditure which, along with company profits is regarded as one of the twin pillars of advertising health, is also expanding. Its growth rate of 5 per cent a year is comparatively high, according to Waterson, though it cannot be expected to continue unabated.

It is widely agreed that the first sector to be hit by the crash is the luxury end of the market. Major "lifestyle" purchases, like luxury cars and houses fall into this category. Porsche has already announced a cutback in production.

There is also widespread agreement in the ad industry that if companies find it more difficult to raise finance, the longer term impact will be a reduction in new product development and perhaps less capital investment in new factories.

Nevertheless, maintains Waterson, unless consumer spending seizes up, there is no reason to expect business spending to alter dramatically. So, while companies may be tempted to be more cautious, they will at the same time be facing a very real consumer demand.

Analysts in general believe the advertising industry is unlikely to find itself in a repeat of the recession-caused cutbacks of the 1980s or 1970s.

Times have changed, they say. They do not foresee a repeat of the general recession of the 1970s when revenues fell by 24 per cent in current terms. Hundreds of employees left the advertising business, and TV revenues, traditionally the firmest of them all media, fell sharply.

Many consumer packaged goods producers then learnt the lesson of the "Leaky Bucket" theory. This is that a company's customer pool is constantly dropping out of the bottom of the bucket and in need of marketing effort to keep it topped up. Companies which failed to advertise watched their consumer audiences sink dramatically and found that clawing them back again was an extremely expensive business. During this period, says Neil Blackley of James Capel, the emphasis was on price-off promotional advertising - "sellmanship rather than showmanship."

Again, in 1981, the economic downturn was a different story. This time it was not so much ad budgets that were cut as staff. And these cuts were in the capital goods companies which tended not to be advertisers anyway.

Today the effects of a recession would be different again. As Blackley explains: "The spread of advertising is much wider now and this spreads the risk. Where once consumer goods accounted for the bulk of revenues, now sectors such as office equipment, pharmaceutical, corporate, and government, have grown and expanded their share of the total cake. Marketing executives are also more sophisticated in their view of how advertising works."

The Advertising Association is underlying its confidence in the future by adjusting down its forecasts only fractionally. For the year 1988, it is shaving one quarter of a percentage point off the forecast of 4.5 per cent growth in real terms. In the US media expenditure has been growing by around 3 to 4 per cent a year and industry watchers are now looking for an acceleration of this rate for next year.

Whatever the impact of the crash on the advertising industry, few expect it to surface before the spring and summer budgets next year.

Meantime, many of the major international advertising agencies retain a remarkably bullish outlook. An agency chairman reports that a major packaged goods company is increasing its investment in Europe as well as extending its product lines and brands in the US. Elsewhere, there is talk of substantial increases in budgets. Hanson Trust, the industrial conglomerate, comments that "it has no plans to make changes as the decline in the stock market fortunes haven't affected the economy in which we work."

UK NEWS

Channel 4 chief opposed Grade as his successor

BY RAYMOND SNODDY

MR JEREMY ISAACS, chief executive of Channel 4, spoke and voted against the appointment of Mr Michael Grade of the BBC as his successor and for a time on Monday even considered an immediate resignation from the channel he founded.

Mr Isaacs, speaking for the first time since Mr Grade's appointment, said yesterday: "I argued and voted against it. My dissent is formally registered and minuted."

The founding chief executive of Channel 4, who leaves in the new year to run the Royal Opera House Covent Garden, is also disappointed about the manner of Mr Grade's appointment.

"I was given an undertaking that I would be consulted on the short list when it was compiled. I was not consulted. I am not happy about that," said Mr Isaacs just before making a speech to the Marketing Society in London.

Mr Isaacs says he was first consulted at 2.30pm on Monday, a few hours before the evening board meeting that was to make the choice. He was told that Mr Grade, director of programmes at BBC Television and managing director designate of network television, was the unanimous choice of the selection committee.

At the evening board meeting Mr Isaacs argued against the appointment on the ground that Mr Grade's record as a television populist ran counter to the values of Channel 4.

"I also opposed it because of the possibility that he might lead the channel in the wrong direction," Mr Isaacs added.

At Tuesday's press conference, Sir Richard Attenborough, chairman of Channel 4, strongly implied the choice of Mr Grade had been unanimous.

"The only important thing to say is that we have deliberated hard and long about this appointment that we arrived at the conclusion after great debate but with a unanimity and that we are overjoyed at Michael Grade's acceptance of our offer to become the next chief executive," he said.

The unanimity only came after Mr Isaacs realised that the board would not accept any of the 12 shortlisted candidates who were interviewed and he then accepted the fait accompli.

The outgoing Channel 4 chief executive, who accepts that the board acted in good faith, then decided to remain as a non-executive director and on Tuesday congratulated Mr Grade on his appointment and publicly commended him to the Channel 4 staff.

But Mr Isaacs said yesterday: "I will bloody hold him to his undertakings."

Before the deal was struck Mr Grade had to agree to protect the channel's existing programming remit and accept board policy on the structure of the channel - that the status quo should endure for the next five years unless the Government overturns it with legislation.

At the Edinburgh Television Festival at the end of August Mr Grade advocated the separation of the channel from the ITV system, something on which he has now recanted.

The BBC has decided not to reshuffle its management structure following the departure of Mr Grade. It will look for a new managing director of network television from outside.

Economy shows its strength with sharp rise in output

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

FURTHER evidence of the strength of the British economy this year was presented yesterday in official figures showing the output measure of gross domestic product rose sharply in the three months to September.

The Central Statistical Office said its provisional estimates suggested output was 1.6 per cent higher in the third quarter of the year than in the previous three months. That brought the increase over the same period last year to 4.5 per cent.

The figures suggest that the Treasury's forecast of an economic growth rate for the whole year of about 4 per cent will be comfortably met, despite the slowdown expected after last month's stock market crash. During the first nine months of 1987, output was 4.4 per cent higher than a year earlier.

The non-oil economy has been particularly strong, with output outside the North Sea just above 5 per cent higher in the latest three months than in the second quarter. Over the first nine months of 1987 recorded growth in the non-oil sector was 4.8 per cent than last year.

Even before the slump in world equity prices, the Treasury was forecasting weaker growth next year. It now expects the economy to expand by about 2.5 per cent in 1988, a figure regarded as slightly optimistic by most independent economists.

Yesterday's figures do not provide a picture of the balance of growth between consumer spending, exports and investment. That information will be covered in the publication next month of figures for the two other measures of GDP - income and expenditure.

The output data, however, do show that growth was fairly evenly balanced between the manufacturing and services sectors of the economy. A rapid expansion in distribution industries was the main factor behind a 1.5 per cent rise in the output of service industries in the latest quarter compared with the previous three months.

Between the same periods, output of the production industries rose by 1.6 per cent, with a growth of 2 per cent in manufacturing offsetting stagnant North Sea oil production.

Protection for European car industry urged

By Guy de Jonquieres, International Business Editor

EUROPE'S VOLUME car industry will need some form of trade protection for seven or eight years to enable it to become competitive with Japanese manufacturers, Sir John Egan, chairman and chief executive of Jaguar, said yesterday.

He told a conference on foreign investment in London, organised by the Industry and Parliament Trust, that the principal challenges facing European car makers were to raise their quality standards and reduce their development time to Japanese levels.

Most of the European industry took seven years to develop a completely new model, while the Japanese took only three or four. At present, European companies could not speed up the process without sacrificing quality, he said.

Competition would be sharpened by investments by the Japanese in European production facilities.

Such plants could provide a healthy stimulus to the European industry by setting an example of good management and improving the performance of local components suppliers, Sir John said.

Stock market crash fails to curb investment plans

BY HAZEL DUFFY

BRITISH INDUSTRY has signalled that it does not intend to cut investment plans for next year as a result of the recent stock market upheavals and the fall in the dollar's value.

Members of the Confederation of British Industry Council, which represents many of Britain's large companies, were asked their investment intentions yesterday. Many said they planned no changes and none said that they did forsee reductions.

Sir David Nickson, the CBI president, said after the meeting that business confidence had not been significantly affected by the share price collapse and that there was a determination to press ahead with existing investment plans.

Members of the CBI economic situation committee, however, admit that while business continued to be excellent in most cases, there was considerable uncertainty and concern that such uncertainty might persuade industry to talk itself into decline.

The new economic forecast from the CBI and its survey of industrial trends, to be published next Monday, are expected to indicate the continued buoyancy of the UK economy.

Mr David Wigglesworth, chairman of the committee, told council that manufacturing output in Britain had been growing strongly throughout the year and would continue to grow in 1988.

The CBI had found little evidence to support the City's fears that the economy was over-heating. Competition in most markets was strong and had kept price increases down. Earnings had been going up by 8.5 per cent, which had been nearly matched by productivity gains.

The stock market crash was not expected to have a strong impact on British consumer spending, as there are relatively few private investors with large-scale shareholdings. Consumer spending would grow by about 3 per cent next year, compared with an earlier CBI forecast of 3½ per cent.

In spite of the report on the strength of the economy, the CBI called on the Government to boost business confidence. This could be achieved by relaxing the forecast price increases in electricity and amending government plans for the community charge and uniform business rates, avoiding higher business rates.

The CBI argues that these are unnecessary increases in business costs, absorbing money that would be better spent on research, development and investment in equipment.

Bremner chairman faces call for removal

By Philip Coggan

MR James Rowland-Jones, chairman of Bremner, the Glasgow-based financial services group, is in a boardroom battle again. Just months after seeing off a challenge from City and Westminster, he is facing a call for his removal at an extraordinary general meeting.

Ironically, it is Carswell, the Glasgow stockbroking firm that Mr Rowland-Jones brought into Bremner in July, which is calling for him and two other directors to go. Mr Denis McGuinness of Carswell said yesterday that the group's expansion into financial services required people on the board with more experience of the area.

Carswell also disagrees with some of the terms in the purchase of Robson Cotterell, another stockbroking group. But Mr Rowland-Jones intends to fight.

Until 1985, Bremner was a sleepy Glasgow department store. However, that year Mr Michael Black joined the board and in an attempt at diversification acquired Phillips Patent, a rubber company with property interests, controlled by Mr Rowland-Jones.

Since then, Bremner shareholders have rarely known a quiet moment. Mr Black and Mr Rowland-Jones fell out. In April last year Mr Black was ousted and Mr Rowland-Jones became chairman.

Then Mr Rowland-Jones was ousted at an annual general meeting, only to be co-opted back by fellow directors. Mr Rowland-Jones looked for outside interests to join him in what was by then essentially a shell company.

Initial talks with City and Westminster Financial, a private company headed by ex-Slater Walker executive Mr Andrew Greystoke, broke down. Another boardroom battle ensued during which Mr Rowland-Jones successfully called for a DTI investigation into the group's share dealings and outmanoeuvred Mr Greystoke, twice disenfranchising City and Westminster's shares. Shortly after the acquisition of Carswell, Mr Greystoke gave up the fight and City and Westminster sold its shares.

Staff at Crown Suppliers oppose sell-off

By David Brindle

EMPLOYEES OF Crown Suppliers, the central purchasing agency for government departments, are heavily opposed to its privatisation, the Government has been told in an official report.

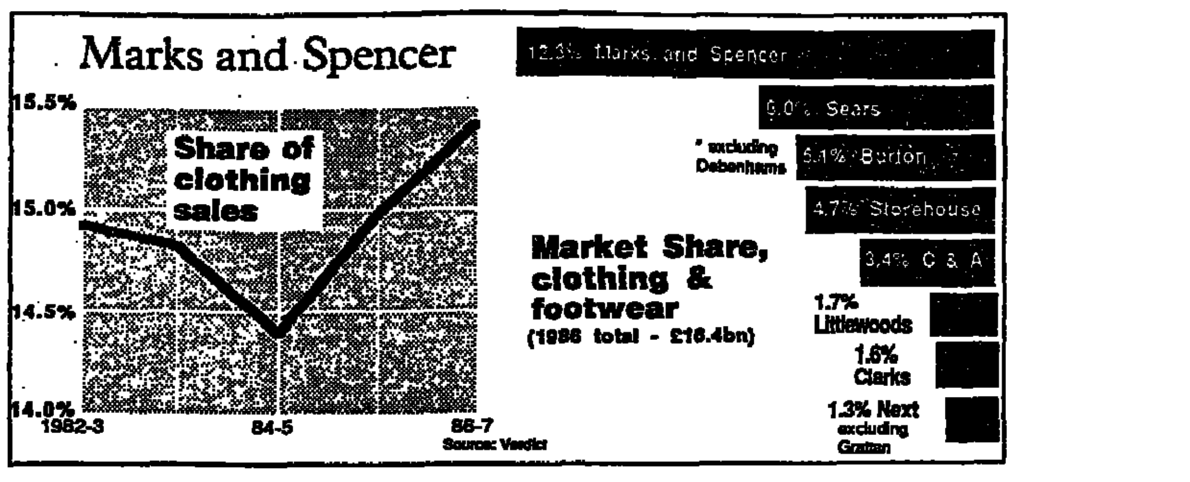
The board of Crown Suppliers has submitted the report to Mr Christopher Chope, the junior environment minister responsible for the agency, who is thought to be keen on early privatisation and is expected to make an announcement next month.

The report says: "There is no doubt that many staff both fear and recoil from the prospect of privatisation and will press their unions strongly to resist the proposal."

The board was asked to compile the report on the views of the 1,900 employees.

Alice Rawsthorn on reports of setbacks at Marks and Spencer

Clothing problems for retail giant



THREE YEARS ago Marks and Spencer should have been enjoying the celebrations for its centenary year. Instead it spent the autumn fending off rumours of sluggish sales and dwindling market share.

M and S fought back. Within a year it had not only won back lost ground but increased its share of clothing sales. Yet this autumn the rumours that Britain's biggest retailer has lost its grip on the clothing market have begun again.

Earlier this week S. R. Gent, one of Marks's largest suppliers of women's wear, gave the first formal indication that M and S may be performing poorly this autumn, when it announced that its own trading in the past four months had been "disappointing".

Gent derives 90 per cent of its turnover from M and S and it was one of the first suppliers to suffer when fashion sales faltered three years ago. Its announcement confirmed unofficial reports that after a poor spring Marks may be losing ground in the women's wear market for a second successive season.

Overall clothing sales are believed to be fairly buoyant. But M and S is thought to be experiencing difficulty in women's wear, especially in outerwear - that is dresses, separates and suits - where sales may have fallen compared with last autumn.

Marks and Spencer refuses, as is its custom, to comment on mid-term trading. It admits that clothing sales fell below expectations in September, but says they recovered in October and have performed well so far in November.

The company has only just emerged from a dreadful spring and summer. Its clothing sales rose by just 2 per cent between April and September, a period in which the market grew by 9.6 per cent. If the contribution from new floorspace is excluded, clothing sales declined by 5 to 6 per cent. Women's wear was identified as a particular problem.

Verdict, the retail consultancy, estimates that M and S's share of the clothing market fell from 15.2 per cent between April and September in 1986 to 14.2 per cent in the same period this year. This suggests that it "lost" £68m of sales in a market worth £6.8bn.

Marks and Spencer blamed the weather. Few analysts accepted that the wet and windy summer was the sole cause of the problem, but M and S was fortunate in that it announced its interim results in the thick of the stock market crisis. Given that it is perceived as one of the safest of the blue-chip stocks the market preferred to assume that the problems of the summer - traditionally its weakest period - were a temporary phenomenon.

Sympathetic analysts suggest that the speed of the structural changes which have swept through M and S in the past three years - an ambitious expansion programme, product development, the opening of satellite stores and the introduction of information technology - has distracted the management

But more critical observers suspect that M and S's response to the problems of three years ago - the introduction of more stylish and expensive merchandise - is floundering. The new merchandise has, they say, scared off traditional customers without attracting a new, younger generation.

Thus Marks may be finding it difficult to compete against businesses like BhS, C&A, Richards, Next and Debenhams in the increasingly crowded and competitive High Street.

If M and S falters for one season its difficulties may be dismissed as a short-term problem, but a poor performance in two successive seasons is much more worrying: not least for the British clothing industry.

Marks, or "Baker Street" as its suppliers call it, towers over the clothing industry as something of a benign tyrant. In the dark days of the early 1980s its commitment to buy British was the industry's salvation. Today it is the biggest single customer buying a fifth of all clothing output.

M and S provides its customers with huge contracts: in return it insists on scrupulous standards and wafer-thin profit margins. It also demands exclusivity: on different designs, different fabrics and even differently coloured threads from its competitors. When manufacturers talk about "VIP visits" they generally mean swoops from "Baker Street" rather than from royalty.

The result is that M and S is both revered and feared by the industry. In reality it needs the suppliers as much as they need it. After all Marks must have access to high-volume production and would find it difficult to replace many of its longstanding manufacturers. Yet it tends to have the upper hand. It is munificent to favoured suppliers - rewarding them with generous contracts - and merciless with miscreants.

The biggest M and S supplier is Courtaulds, followed by companies like Nottingham Manufacturing, a subsidiary of Coats Viyella, and Slimma, part of Tootal. Should women's wear sales suffer these groups would be protected by the diversity of their interests: as would smaller companies like Dewhirst, which recently diversified into women's wear, and Alexon, a Marks supplier through its Claremont subsidiary. The smaller manufacturers, especially those like Gent which specialise in women's outerwear, would be most vulnerable.

Whenever Marks and Spencer has been in trouble before it has returned to its traditional emphasis on "value". Whether it does so again remains to be seen. But one thing is certain, if M and S is in difficulty its suppliers, large and small, will be expected to rally round. Watch those margins.

Labour outcry over ANC kidnap case brushed aside

BY TOM LYNCH

THE GOVERNMENT yesterday brushed aside allegations by Labour Party members of parliament over the deportation last night of Mr Frank Larsen, one of the defendants in last month's court case alleging conspiracy to kidnap members of the African National Congress in London.

Labour MPs had voiced suspicion over the circumstances of the case, after charges were dropped on the instructions of the Director of Public Prosecutions and after Sir Patrick Mayhew, the Attorney General, made a statement in parliament denying links between the four men accused in the case and the British security services.

Yesterday, Mr Timothy Renton, the Home Office Minister of State, said Mr Larsen was in reality a convicted Norwegian criminal called Mr Viggo Oerbak, who had entered the UK in 1982 under a false identity

Answering a question in the House of Commons from Mr David Winnick of the Labour Party, he said: "In view of his unlawful entry to the UK, and the fact that he has no claim to remain, Mr Oerbak is being removed to Oslo today."

Mr Gerald Bermingham, also from Labour, asked why Mr Larsen was not being prosecuted for possession of classified and forged documents.

Unilever food groups to merge

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

UNILEVER, the Anglo-Dutch consumer products group, is to merge its Brooke Bond Oxo and Batchelors Foods subsidiaries in the UK.

The new company, Brooke Bond Batchelors, will have annual sales of some £400m, of which two-thirds will come from the highly successful Brooke Bond business. It will employ 4,500 people and run nine factories.

The link brings together many well-known brands, including PG Tips tea, Fray Bentos canned meats, Haywards pickles, Vesta packet meals and Batchelors soups and canned vegetables.

There would be some "casualties", mainly among administrative staff, Unilever said yesterday. However, the group would try to absorb workers displaced by the merger and the planned closure of Batchelors Sheffield head office. There would be no enforced redundancies until next October, the company added.

Nevertheless, the move might also have longer-term implications for distribution workers and others, raising questions about the future of Unilever's John West canned foods offshoot.

Unilever has progressively rationalised its UK packaged foods business in recent years. For example, Birds Eye Wall's combines all the group's frozen food interests.

A similar merger led to the formation of the meat processor, Mattessons Wall's, in January last year. Six months later, the new company announced almost 2,000 job losses.

With Brooke Bond Batchelors now dealing with long shelf-life packaged groceries, the John West business - which might logically have been included in the merger - is something of an odd man out.

Unilever said only that the link was the result of negotiations between the chairmen of the two subsidiaries involved.

The new business will be run by Mr Peter Johnson, chairman of Brooke Bond Oxo, from his existing office in Croydon, Surrey. Mr Iain Anderson, Batchelors' chairman, will move to a new job in the group when the merger is complete.

Lloyd's announces vote results

By Eric Short

THE RESULTS of this year's election to the Council of Lloyd's of London, the insurance market, were given yesterday.

The successful candidates for the three working members were Mr David Coleridge, chairman of R.W. Sturge & Co, one of the largest underwriting agencies at Lloyd's; Mr Murray Lawrence, senior partner, Murray Lawrence and Partners, an underwriting agency; and Mr Michael Wade, director of Horace Holman Group, Lloyd's brokers.

The three new external members are Mr Arthur Farrer, a solicitor; Sir Nicholas Bonsor, Tory MP for Upminster; and Lord Rees, a former Cabinet minister. A runner-up was Mrs Mary Archer, wife of Mr Jeffrey Archer, the former deputy-chairman of the Conservative Party.

The council consists of 28 members, 12 of whom are elected from and by Lloyd's working members and a further eight elected from and by external members. A further eight, including the deputy-chairman and the chief executive, are nominated members having no other connection with Lloyd's. These have to be approved by the Governor of the Bank of England.

The chairman and two deputy chairmen for 1988 will be elected at a meeting on December 2 of next year's council.

ELECTRICITY SUPPLIERS' CASE AGAINST MERGING

BY MAURICE SAMUELSON

Boards generate more power for fight to stay independent

THE REPORT commissioned by the 12 electricity distribution boards of England and Wales, and due to be debated at today's meeting of the industry's council, says they should all be privatised as individual companies on the lines envisaged for the 10 water authorities.

It rejects the idea of a holding company to run electricity distribution as suggested by Sir Philip Jones, national chairman of the Electricity Council, the industry's umbrella body. All but one of the area chairmen back the report's findings.

The report was prepared by London Economics, a private consultancy formed a year ago under the chairmanship of Professor John Kay, of the London Business School. Its authors were Professor Kay, Professor Leslie Hannah, of the London School of Economics and Mr Robin Cohen, a full-time employee of London Economics.

Officials at the Electricity Council's Millbank headquarters in London yesterday sharply rejected the report's claim that council officials were not technically competent to run a holding company with responsibility for investment.

They said Sir Philip's views had been misrepresented and accused the authors of simply knocking down an Aunt Sally of their own making. They said the fact that the report's authors had not interviewed the council while preparing it "puts into question the quality of their research."

On the assumption that the industry was not to be sold off as a unified entity similar to British Gas, the report claims "significant advantages" from privatising the 12 area boards as independent companies.

"Customers will gain from locally responsible electricity distribution, the regions will gain from large private companies with headquarters in provincial centres and electricity distribution will gain from the continuity of the 12 present boards entering into the private sector - mergers would be costly and disruptive and the benefits of diversity in the industry would be sacrificed."

Competition between the boards would be promoted by the application of yardstick comparisons of their performance and price and service regulation would be easier and more effective than under alternative scenarios.

The authors were asked to examine the advantages and disadvantages of retaining the 12 boards on privatisation at their present size and number, as opposed to amalgamating them into a smaller number or even into a single holding company.

The starting point for the report was that in the public debate there had been little mention so far of the distribution side of the industry.

Instead, the debate had concentrated on transmission, generation and issues of fuel policy, particularly the future of British Coal contracts, the super grid and the nuclear power programme. "Yet the optimal structure of electricity distribution is of especial importance to consumers as well as the rest of the industry," the report says.

The authors already knew that 11 of the 12 board chairmen preferred 12 distribution companies to one holding company. There was, however, some variation in the chairmen's views on the implications of the structure chosen for relations with the grid and with power station companies after privatisation.

However, all the chairmen agreed that the grid must be available to anyone wishing to generate electricity, including privatised area boards.

They therefore concentrated their study on economic efficiency, financial planning, the future of the Electricity Council, regulation, the pros and cons of continuity, the scope for diversity and the regions.

Privatising the 12 area boards, they judged, would benefit customers, the regions, board employees and the electricity distribution industry.

On the other hand, little was to be gained from creating fewer companies and nothing from a single holding company, except the avoidance of some of the logistical problems of multiple flotations.

ELECTRICITY BOARDS IN 1986/87

	Area sq km	Customers '000s	Revenue £m	Net current assets employed, £000
London	666	1,868	911.6	899
S.Eastern	8,016	1,843	756.5	750
Southern	16,918	2,348	1,076.6	1,015
S.Western	14,400	1,185	552.0	651
Eastern	20,106	2,820	1,210.0	1,166
E.Midlands	16,307	2,058	950.3	812
Midlands	13,165	2,051	979.3	948
S.Wales	11,802	886	465.9	407
Manweb	12,227	1,321	677.9	604
Yorkshire	10,609	1,916	961.1	970
N.Eastern	14,672	1,368	623.4	601
N.Western	12,512	2,050	915.3	861

Source: Handbook of Electricity Supply Statistics; Electricity Council report 1986/87

"The City should confront these problems for the sake of the industry and all electricity consumers," the report says.

The arguments for amalgamation of existing boards were mainly derived from the financial problems associated with multiple flotations, "not from a consideration of economic efficiency and benefits to the consumer."

However, the report found that the economic efficiency of electricity distribution did not depend simply on the size of the distribution company and a more important factor was customer density.

It also took issue with some City analysts' belief that about three of the area boards were not viable as independent companies and should therefore merge with their neighbours. That was not a solution. The report says: "Such mergers would only conceal any problems that do exist in boards rather than solve them."

To make their point, the authors examined the viability of the Merseyside and North Wales area board (Manweb), which had been regarded as a "problem" board. They found that by setting an appropriate market capitalisation, adjusting dividend payments in accordance with performance and writing off debt, the board was a viable company into the next century. "If the board under the incentives of privatisation improves its performance only slightly, then it is an attractive company."

To solve the logistical problems involved in selling off so many individual boards, the report suggests combining them in three or four "depositary receipts" just for the process of flotation.

Once privatised, they would not compete directly and would continue to co-operate in sharing research and marketing expenses, setting common technical and safety standards and centrally co-ordinating industrial relations. The Electricity Council, though shorn of some of its current functions, "would emerge as a co-operative service company."

The report refrains from giving a clear view on the future of the National Grid, of which the Central Electricity Generating Board seeks to retain control after privatisation. It claims that the distribution boards need not be at a bargaining disadvantage relative to the generators of electricity. "The distribution boards will hold the balance of power over the generators because they will control ultimate access to consumers."

The crucial determinant of competition in large-scale generation would be the terms of access to the grid by generators. Boards wishing to enter large-scale generation would not be at a disadvantage if they had a small asset base and could spread their risks by joining power station consortia.

They would also be able to enter smaller-scale generation themselves at around 300MW by using the 132KV local grid lines already under their control.

Whether or not they became generators, they would come to bear many of the risks of generation in the long-term supply contracts, which they would have to sign with the power station operators on privatisation.

The "many positive benefits" of keeping the present number of boards included:

- Easier and more effective price regulation. "The regulator will be better able to distinguish controllable from uncontrollable costs by seeing which boards have high costs and which low costs for the same output."
- Continuity. "Why break up the 12 boards when there is nothing significantly wrong with them?"
- Diversity of planning in which good decisions could set examples for others to follow. "Central planning can compound bad decisions."
- A boost to the regions, where the boards would form some of the largest local companies. "They can be expected to contribute not only to the local economies but also to community activities."

Electricity Privatisation and the Area Boards; the Case for 12. London Economics, 104-112 Marylebone Lane, London W1M 5FU. £35.

Solicitors oppose mixed partnerships

By Raymond Hughes, Law Courts Correspondent

SOUNDINGS among local leaders of solicitors have indicated a hardening against the idea of mixed partnerships with other professions.

At a meeting at the Law Society in London yesterday, presidents and secretaries of the 127 local law societies in England and Wales were asked to express their personal views. An overwhelming majority was against partnerships with, for example, accountants, surveyors or estate agents.

When asked to speak as representatives of their members, the 99 presidents and 106 secretaries were still against partnerships, though by a considerably reduced majority.

In January the Law Society's ruling council is to take a decision on the issue, which has divided the profession for the past two years.

- Sir Gordon Borrie, director-general of the Office of Fair Trading, yesterday predicted more mergers among solicitors and a trend to bigger firms through internal growth, **Hazel Duffy writes.**

Sir Gordon, who has recommended that the Government amend legal regulations to entitle lawyers to go into partnership with other professionals, criticised the recent suggestion by Mr Derek Bradbeer, president of the Law Society, that a mixed partnership was only tolerable if solicitors were in charge.

City's first independent settlements firm opens

BY CLIVE WOLMAN

LONDON'S first independent settlements company, which will allow stockbroking and securities firms to subcontract their settlement of bargains and other back-office functions, is being launched today.

The company, Security Settlements, has been set up by a group of 20 former settlements or administrative directors and managers of other City firms. They have £3m capital, raised partly through a private placing of shares.

It is one of the first start-up companies to emerge since last year's Big Bang reforms, bucking the trend towards domination of the securities industry by large banks which have bought many of the smaller firms.

The founders, many of whom come from Greenwell Montagu, the Midland Bank securities subsidiary, expect London to follow New York, where most bargains are now settled by outside services.

They aim to cash in on the difficulties of securities firms in coping with the paperwork generated by the upsurge of share-buying and selling since Big Bang. Since July the Stock Exchange has been threatening sanctions against firms unless they reduce backlogs of unsettled bargains. So far three firms have been forced to accept restrictions on trading.

Several firms, such as Kleinwort Grieveson, have curtailed services to small investors by turning away clients and raising charges substantially because of the inability of their back offices to handle the volumes.

Barclays Bank and Hoare Govett last year changed their settlements departments into separate companies which also service outside clients. The companies are called Broker Services, which has a 3 per cent share of all bargains settled, and Financial and Clearing Services (FICS), which is much smaller.

Stephen Pinner: offering lower fees

Mr Stephen Pinner, managing director of Security Settlements and a former director of FICS, said that the new firm would be differentiated by not servicing primarily the requirements of a parent company, but by offering a complete range of back-office services and by charging lower fees per bargain.

Its charges will be between £9 and £18 per bargain, compared with Broker Services' £15 to £30 and FICS's £12.50 to £30.

Mr Pinner said the service would allow stockbrokers to work out how much each bargain is costing them and thus to refine the pricing and marketing of their services. The £9 minimum charge for small bargains, he said, would allow stockbrokers to cut their minimum charges to small investors below the current norm of about £25 per bargain, and still to make a profit.

The charges are low, Mr Pinner said, because the firm's operations would be based in a low-cost site in Stratford, east London, and careful operations planning would allow most jobs to be deskilled and focused on tightly defined tasks. In addition, the firm will operate a nominee service which will hold the share certificates of the investors and thus reduce the number of movements of paper involved in each settlement.

There will be a small surcharge for investors wishing to hold share certificates themselves. The comprehensive use of nominee services, with a penalty for investors holding their own certificates, has been strongly proposed as a way of alleviating the settlements backlog by Mr Robert Apfel, a New York consultant now advising the Stock Exchange.

When it begins operations in January, Security Settlements is to employ 60 people, rising to 120 by the end of 1988. This will provide the capacity to handle 2,000 bargains a day in year one, rising to 3,500 in year two.

In its marketing, the company will be aiming at firms, such as building societies, that are planning to move into stockbroking or fund management but are deterred by the difficulties of setting up a back office. Its other target will be firms which are turning away business because of their settlements backlog and can sub-contract the settlements operations for one part of their business, such as small investor bargains. They are often reluctant to recruit heavily because they fear that a reduction in business will force them to lay off staff again.

Will the new firm have sufficient credibility for stockbrokers to take the risk of employing it? It has just been given Stock Exchange membership, which will assure some. According to one Greenwell's director: "The whole group of them understand settlements very well. They have done some very complicated things."

Warning on loans secured by houses

By David Churchill

A WARNING to consumers not to take out personal loans secured against their property was given yesterday by the National Consumer Council.

In a report entitled Security Risks, the council calls for new safeguards in law and in practice to protect people offered loans secured on their homes.

The report shows that nearly 1m people in Britain have offered their homes as security for loans. While most borrow from banks or building societies to pay for home improvements or repairs, about 10 per cent borrow to pay off existing debts. Much of the borrowing is in the form of high interest loans from finance houses, taken out in response to newspaper advertisements.

Mrs Sally Oppenheim-Barnes, the council's chairman, said consumers should "beware beguiling advertisements offering a 'fast' loan to pay off debts."

"These loans may look in the advertisements like the answer to all your money problems. But this so-called solution is temporary, it's usually at the very least expensive - and at worse you could lose your home," she said.

The council wants all advertisements and credit agreements for secured loans to include a prominent warning that consumers could lose their homes if they fail to maintain repayments.

Security Risks. National Consumer Council, 20 Grosvenor Gardens, London SW1. £3.

MPs protest at charges in TV programme

By Richard Evans

FOUR SCOTTISH Labour MPs have lodged a formal protest with the Independent Broadcasting Authority over allegations made in a Channel 4 programme earlier this month about the finances of Labour social clubs in Dundee.

The MPs, Mr William McKelvey (Kilmarnock and Loudoun), Mr Ernie Ross (Dundee West), Mr George Galloway (Glasgow Hillhead) and Mr Frank Doran (Aberdeen South), who were all named in the programme, have called for an IBA probe.

They say the programme, Dispatches, made by Scottish Television over a period of more than a year, claimed falsely that payments were made by three Dundee social clubs to the local Labour Party, when the programme makers "knew this to be calumnious", and describe it as "a concoction of smears".

Plea on cable foreign ownership ban

BY RAYMOND SNODDY

AN AMERICAN cable television operator yesterday appealed to the Government to remove the restriction on the foreign ownership of cable television franchises as a way of speeding up investment in the UK industry.

Mr Victor Oristano, chairman of Cablevision-UK and creator of Bravo, a cable film channel, said the large US cable operators were ready to invest in the UK if the restrictions were lifted.

"For practical purposes, there is no sound reason - only xenophobia can be the reason - for preventing foreign capital from coming into the UK cable industry," Mr Oristano told the first annual convention in London of the Cable Television Association.

Mr Oristano, a director of Cablevision Systems, a company with 1m cable subscribers in the US, argued that cable did not create public opinion in the way that television or newspapers did. "Therefore the fears that governments have about restricting foreigners from controlling information media really do not apply."

The Government should also issue MMDS (multi-channel microwave distribution system) licences to cable operators as soon as possible to make cable companies profitable sooner, he said.

MMDS is the local broadcasting of up to 12 channels of television using microwave transmitters. It would allow cable companies to transmit programmes to all of a franchise area while the slow business of laying the cable is carried out.

The Cable Authority, the regulatory body for cable television in the UK, has asked the Government for permission to go ahead with MMDS and for the removal of barriers to foreign investment in UK cable.

NATIONAL INSTITUTE REPORT

German kitchens wipe the floor

BY RALPH ATKINS

BRITISH KITCHEN furniture is of low quality and inefficiently manufactured in comparison with equivalent West German products, according to a report published today.

The study, by the National Institute of Economic and Social Research, also reveals that British kitchen exports are poor and companies suffer acute skills shortages.

The kitchen furniture industry accounts for 19 per cent of furniture production in the UK and 1.9 per cent of all manufacturing employment. The report says the industry does not involve a high degree of technical complexity and, as such, the long-standing West German advantage in engineering should not be significant.

However, it finds West German kitchen furniture manufacturers are in a different league. There is greater investment in machinery and training while the use of computers is more widespread for production organisation.

The result is that in the production of cabinet panels, which is studied in detail, output per employee is twice as high in West Germany as in Britain. For the whole furniture industry West German productivity is 66 per cent higher than in the UK.

German cupboards and units are individualised with a wide range of finishes and are seldom installed by the customer. British kitchens are mostly sold by discount stores in flat-packs for do-it-yourself assembly.

About a third of West German kitchens are exported, while British manufacturers sell only about 4 per cent overseas. Imports accounted for about 28 per cent of British sales in 1986, of which 63 per cent were German.

The problem areas for British manufacturers identified by the report include:

- Shortages of qualifications and skills on production lines. In West Germany at least 90 per cent of employees working on the shop floor had undergone a three year training course.

Many plants had special training areas away from the production line. Apprentices sat written examinations in a broad range of subjects, including the technology of the industry.

In Britain, however, the proportion of employees with vocational qualifications never exceeded 10 per cent. There were fewer trainees as a proportion of the workforce and few companies participated in the Government's Youth Training Scheme.

The British companies complained of difficulty in attracting young people with satisfactory Certificate of Secondary Education or General Certificate of Education passes in mathematics and English. West German apprentices all had the equivalent of at least a CSE grade 2 in mathematics and German.

- Restricted use of automated machinery. While West German manufacturers had invested heavily in sophisticated computer-controlled machinery, the industry was regarded in Britain as low-tech.

West German plants organise production round small batches of perhaps a dozen panels. Output was often below capacity and geared to the speed of assembly lines, but the machinery could adapt quickly - for different size panels and edge banding, for instance.

Kitchen furniture manufacturing in Britain is concentrated on large batches with machines running at full capacity. But setting times were longer - often up to a day for drilling machines.

West German plants used mainly local machinery, were careful about maintenance and retained contact with suppliers. Their operators routinely cleaned machines and would notice and rectify minor faults.

In Britain, on the other hand, almost all machinery had been imported. Planned maintenance was rare and there was a lack of in-house expertise. Companies suffered lengthy delays when engineers had to be flown in from West Germany.

The report found many British companies operate in cramped conditions, exacerbated by stacks of semi-finished panels waiting for the next production stage.

- Weak production organisation. The report finds significant differences in the timetabling of factory work which affected both technical and marketing efficiency.

It discovered British companies manufacture mainly for stock. When batches finish on one machine they are put in a stack until the next operator is ready.

This makes relatively light demands on production planners while batches move through the system. But problems arise when stocks are insufficient to meet orders; special batches have to be rushed through, disrupting routine production.

In contrast, West German production is matched to customers' orders. Computers are used to sequence production lines so that required components are ready for assembly on the date set for the completion of orders.

The system puts pressure on operators to work to precise quantities and completion times. Typically West German companies schedule machines in terms of half a day's work. One plant planned on the basis of two-hour production periods with only 30 minutes leeway.

A second look at productivity, machinery and skills in Britain and Germany by Ms Hilary Steedman and Dr Karin Wagner. Released ahead of the National Institute Economic Review, November 1987, to be published next week.

Commuter airliner plan put off

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PLANS BY Short Brothers of Belfast and de Havilland Aircraft Company of Canada to collaborate on developing a short-haul 25-plus-seater commuter and regional airliner for the 1990s are being deferred "for the time being".

This is due to the recent eleven-week strike at DHC in Toronto, which has delayed production of existing DHC airliners such as the Dash Seven four-engined and Dash Eight twin-engined turbo-props. It has also resulted in DHC contentrating all its efforts on recovering from the strike.

Both companies stress that they remain "in total accord" on the need for a new small airliner for regional and commuter markets, and say the links between them will be maintained.

"However, the early launch of an entirely new programme is precluded while DHC's resources are devoted to recovery of the Dash Eight production schedules and development of its derivatives," said a joint statement.

"While the two companies will continue to exchange views, no major new activity is expected to be undertaken for at least 12 months".

The two companies had evolved two potential designs - the 90A and 90B - for the future 25-seater market, called NRA (New Regional Airliner).

NRA-90A was a conventional turbo-propeller airliner, with the engines mounted on the wings, but NRA-90B was a radical design with two engines mounted in the rear of the fuselage driving counter-rotating propellers, giving immproved fuel efficiency.

Both designs have been discussed in detail with airlines since being announced at the Paris Air Show last June, and it had been hoped to take a decision on which one to build within the next few months. While the two companies will remain in contact, it now seems likely that no such decision will be forthcoming until at least late-1988 or early 1989.

Sir Philip Foreman, chairman of Short Brothers, said yesterday he was disappointed at DHC's decision, because the cost and effort in producing any new aircraft hinged on collaboration and the Short Brothers and DHC attitudes were similar.

This, in Sir Philip's view, would make a joint project a "very powerful combination in the market-place". Sir Philip said he hoped the two companies might be able to restart their joint activity.

Meanwhile, Short Brothers will continue vigorously to market its existing range of Type 330 and 360 twin-turbo-propeller 30-plus-seater airliners, which are selling well.

Database to find researchers

By James Buxton

COMPANIES may be able to avoid time-consuming trawls of universities in search of potential research staff as a result of a database coming into operation.

Called Science and Technology Employment (Stem), it stores details of postgraduate researchers at British universities and polytechnics keyed in by the researchers themselves. Potential employers can - for a fee - tap into the system to see what research talent is available.

Longman Cartermill, an offshoot of the Pearson group based at St Andrews University in Fife, believes the system will enable companies to make better use of the biennial "milk-round," when they tour universities in search of postgraduates.

The company says that half of Britain's leading 500 companies have expressed interest in using the system and all the country's educational establishments are taking part.

Longman Cartermill was formed in 1985 to operate a national database of research projects being carried out at universities, polytechnics and research establishments in Britain. Major companies as well as government departments and official bodies subscribe to the system, called Best (British Expertise in Science and Technology).

Centre proposes 'wage of retirement'

BY ERIC SHORT

A CALL for a radical pensions policy that would provide each retired person with a £90 a week "wage of retirement" is made by Mr Eric Midwinter, director of the Centre for Policy on Ageing.

This wage would be paid irrespective of sex, previous occupation or marital status and would cost about £41bn a year.

The proposal is the central theme in an update of a book by Mr Midwinter. He says the Government's pensions strategy of low state benefits and reliance on private pensions is misconceived. In future, many people, particularly women, will have to accept shorter and more dislocated work patterns. Thus they will not be able to build enough pension or pension entitlement.

He says the wage is based on the amount currently needed by retired people to enjoy a decent, ordinary life in retirement in an energetic and constructive manner. It would be revalued on a spending index proposed by the entre in 1985.

The wage of retirement: the case for a new pensions policy. Bailey Bros and Swinfen, Warner House, Folkestone, Kent CT19 6PH. £6.60.

Appointments

Managing director at Granada Group

GRANADA GROUP has appointed **Mr Derek Lewis** as group managing director from January 1. He is financial director and chairman of the services to business division. The chairman, **Mr Alex Bernstein**, will continue as a full-time executive with Mr Lewis assuming responsibility for the line management of the group. Other appointments follow from this newly-created position. From the same date **Mr Desmond James**, a director and company secretary, will also be appointed director of corporate services, with responsibilities that include company secretarial, legal, property and related activities. **Mr Graham Wallace**, head of finance and planning, will be appointed director of corporate finance, with complete responsibility for the group's financial and planning functions. **Mr Conor Kehoe** will be joining from McKinsey and Co as chairman of the services to business division, succeeding Mr Lewis.

★

Mr Derrick Sims has been appointed chief executive of TARMAC'S building materials division. He is assistant managing director of the quarry products division. He succeeds **Mr Peter Pearce** who is returning to his personal business interests.

★

Mr Colin Harrison has been appointed chairman and managing director of IMF FINANCIAL SERVICES. He was managing director of Nationwide Credit Corporation, financial services subsidiary of Burtons. **Mr Nigel Bertam**, also previously with Nationwide Credit Corp, is operations director.

★

Mr Grant M. Findley has been appointed as finance director and company secretary of CONTINUOUS STATIONERY. He succeeds **Mr Norman S. Lansdown-Davis**, who has retired. Mr Findley was a senior manager with Ernst & Whinney.

★

Mr Philip Matthews, financial director at Zales at the time of the acquisition of Combined English Stores, has been appointed group financial controller of NEXT.

★

Mr Douglas Smith has been appointed finance director of JULIANA'S HOLDINGS from January 1. He replaces **Mr Nicholas Irens** who is leaving to become finance director of First Leisure.

★

ROPNER has appointed **Mr Robert J. Sale** as a non-executive director from December 1. He was deputy chief general manager of Barclays Bank.

★

Mr Peter Simon has been appointed a director of Bermuda-based C.T.S., and will divide his time between London and North America. He recently retired as deputy group chief executive of Legal and General Group.

★

Mr John O. Conlan has been appointed group managing director of FIRST LEISURE CORPORATION. He has been a director since the company's formation in 1983. **Mr Nicholas J. Irens** will join as finance director on January 1. He is finance director of Julianas Holdings. **Mr James P.G. Naylor** resigns as joint managing director from December 31, but will retain an association with the company.

★

BRITISH ALCAN ALUMINIUM has formed an enterprises division and appointed **Mr John S. Bridgeman** as managing director. The division will include aluminium fabricating and downstream product companies.

★

IDS FUND MANAGEMENT has appointed **Ms Pamela Goldie-Morrison** as a director. She will be responsible for marketing and business development.

★

THE HENLEY CENTRE FOR FORECASTING has appointed **Mr Simon Avison** to the board as director of new product development. He joins from the Product Development Partnership.

★

RENTOKIL GROUP has promoted **Mr Charles Grimaldi** to the new role of general manager, group marketing. He was marketing manager of the property care division.

THERE'S ONE BIG DIFFERENCE BETWEEN THEM. ONE'S SMALLER.

The new BMW 318i is just over 170 inches long. The BMW 735i on the other hand measures up at 193 inches.

To be honest that's the biggest difference between the two.

Because when BMW redesigned the 318i it wasn't only the research and development engineers that they turned to.

It was their own 735i.

A car that bristles with the sort of technology that most manufacturers can only marvel at.

Take its highly sophisticated third generation Motronic system.

BMW took it and combined it with their new 1.8 litre engine.

It "tunes" the engine up to a hundred times a second to keep it running at peak efficiency.

It has a memory that logs any malfunction no matter how short-lived or how minor and tells the technician when the car goes for a service.

And it has circuits that can recognise a faulty reading from a sensor in the engine and substitute its own, more logical value.

It's coupled with a brand new engine that sports the same cylinder head design as the 7 Series V12.

Developing 115 bhp (10 bhp more than the previous 1800 cc unit) maximum power is developed at lower revs giving the driver a much smoother, and much quieter ride.

Like its big brother the 318i has ellipsoid headlights. They give out 30% more light but won't dazzle oncoming drivers.

It has regenerating bumpers that can take a 2.5 mph knock and bounce back into place. The 735i does too.

And, like all BMWs the 318i is assembled and finished with the same painstaking precision as its £35,000 stable mate.

Yet it costs just £11,095.

A small price to pay for a car with such big ideas.

THE ULTIMATE DRIVING MACHINE

THE NEW BMW 3 SERIES RANGE STARTS AT £9,795. THE BMW 318I SHOWN ABOVE WITH OPTIONAL BMW CROSS SPOKE ALLOY WHEELS, FRONT FOG LIGHTS AND SHADOWLINE. PRICES, CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX AND VAT BUT NOT DELIVERY OR NUMBER PLATES. INCLUSIVE DELIVERY CHARGE, INCORPORATING BMW EMERGENCY SERVICE AND INITIAL SERVICES, £233 + VAT. FOR A 3 SERIES INFORMATION FILE, PLEASE WRITE TO: BMW INFORMATION SERVICE, PO BOX 46, HOUNSLOW, MIDDLESEX OR TELEPHONE: 01-897 6665 (LITERATURE REQUESTS ONLY). FOR TAX FREE SALES, TEL: 01-629 9277.

Labour disowns IRA claim by MP

By Michael Cassell, Political Correspondent

MR NEIL KINNOCK, the Labour leader, yesterday contemptuously disowned recent claims by Mr Ken Livingstone, a member of the party's national executive committee, that the IRA would ultimately win the battle in Northern Ireland.

Mr Kinnock's move came at a meeting of the Parliamentary Labour Party at Westminster, which was not attended by Mr Livingstone. He did not mention the former Greater London Council leader by name but left MPs in no doubt about the target of his remarks.

The Labour leader described as "facile" suggestions that the withdrawal of British troops from the province would end violence. It would, he warned, "spread the slaughter" not only *in Northern Ireland* but in the Republic and in mainland Britain.

Mr Livingstone, the MP for Brent East, has infuriated the Labour leadership with his repeated references to the "colonial situation" in the province.

Guinness asks court to reverse £100m payout

BY CLIVE WOLMAN

GUINNESS is asking the High Court to overturn a decision of the Takeover Panel which could require it to pay about £100m compensation to the shareholders of *Distillers for alleged* breaches in the Takeover Code during its £2.5bn takeover battle for Distillers in 1986.

The legal dispute and the Panel's decision taken on September 2 were disclosed yesterday by the Panel and caused the Guinness share price to fall 15p to 235p, wiping £125m off the company's market capitalisation.

The Panel decided that Guinness was acting in concert with a mystery buyer that bought 10.6m Distillers shares for nearly *£75m on April 17 1986, the* penultimate day of the battle. The buyer appears to have been one of two Swiss companies, called Pipetec and Bryton. They were also involved in the repurchase of Guinness shares from other Guinness supporters for which they were granted an indemnity in possible breach of the Companies Act.

When details of the illicit Guinness share support operation became public in January, it was suggested that Bank Leu of Zurich was the buyer of the 10.6m shares. But Guinness directors are now saying that the true beneficial ownership of the shares - the buyer behind Pipetec or Bryton - remains unclear.

The court case, which is likely to be heard in January or February, will focus on whether the Panel should wait until all the facts concerning the takeover battle become clear. Guinness is arguing that the Panel was wrong to seek to establish the truth behind one particular incident before the report of the Department of Trade and Industry inspectors is published and the court cases heard against some of the participants in the takeover battle.

In the immediate aftermath of the Distillers takeover battle, the Panel cleared Guinness of acting in concert with the purchaser of the 10.6m shares. Earlier this year, however, the Takeover Panel executive re-examined the question. This led to a disciplinary hearing of the full Panel against Guinness on August 25. Guinness argued that it should not proceed any further.

However, the Panel overruled its objection and on September 2 decided that Guinness had acted *in concert with the purchaser of* the 10.6m shares, who paid 705p per share. This meant that Guinness and parties with whom it was in concert acquired a larger stake in Distillers during the takeover battle than the crucial 15 per cent threshold.

The Takeover Code therefore required Guinness to make to Distillers shareholders a cash offer equal to the maximum price it paid for any of the shares it acquired. The maximum price was 731p, well above Guinness's actual cash offer of 630p. Only about 2 per cent of Distillers shareholders accepted the cash offer because alternative offer, to accept Guinness shares in exchange for Distillers shares, was *more valuable. One* key question which was to have been resolved by the Panel last Thursday was whether the Guinness share offer had also been worth more than 731p per Distillers share.

In fact Guinness share offer would have been worth more than 731p per Distillers share only if the Guinness share price was above 335p. The share price during the final stages of the battle and in its immediate aftermath actually fluctuated *between 353p and 315p.*

Fowler to unify adult job schemes

BY CHARLES LEADBEATER

GOVERNMENT provision for the adult unemployed is to be rationalised so that more than six schemes can be unified into a single programme from September next year, Mr Norman Fowler, Employment Secretary announced yesterday.

The decision to establish a single programme capable of providing 600,000 places a year, to replace the main schemes, the Community Programme, new Job Training Scheme, old Job Training Scheme, the Wider Opportunities Programme and schemes for minority groups, represents the most *sweeping* reform of provision for the adult unemployed since the introduction of Community Programme in 1982.

The scheme which will have a budget of £1.5bn a year will be open to people over 18, who have been unemployed for more than six months.

Mr Fowler said the reform reflected the need to provide improved training to help the unemployed find jobs in a more buoyant labour market. The plan to improve training for adults also reflects concern that the number of young people entering the labour market will tail off in the next few years.

The details of the scheme will be worked out by the Manpower Services Commission over the next few weeks and will be presented in a White Paper, a policy document, in February.

However some of the key details of the scheme are yet to be agreed. The most contentious issue will be how much pay *trainees should* receive. The Government wants trainees to be paid a training allowance, equivalent to their benefit entitlements, plus a premium to cover work expenses and provide an incentive for them to stop drawing unemployment benefit.

Mr Fowler said the premium would be more than £5 a week. But it is unlikely to reach £15 a week, the figure mentioned by his predecessor, Lord Young, during the election campaign. MSC officials are concerned that the *premium should be high* enough to provide an incentive for people to enter the schemes.

Mr Fowler's announcement in the House of Commons drew a hostile reception from Labour MPs and it is likely to prove controversial with trade union members of the MSC. Local authorities and voluntary bodies which provide the majority of places on the community programme are also worried by the plans.

Electricity leaders in public clash over privatisation plans

BY MAURICE SAMUELSON

LEADERS of Britain's electricity industry clashed in public yesterday over the way they want the industry to be privatised.

Sir Philip Jones, chairman of the Electricity Council - the industry's umbrella body - found himself under attack from the 12 Area Boards which sell power in England and Wales, and the Central Electricity Generating Board (CEGB), their bulk supplier.

The controversy is likely to continue at today's monthly council meeting *which will be* attended by the chairmen of the CEGB and the areas. It also appears to surround this weekend's conference at which Mr Cecil Parkinson, Britain's Energy Secretary, and outside advisers will work on a short-list of privatisation plans.

Yesterday's acrimonious exchanges focused on control of the National Grid, through which CEGB distributes power to the regions and on the future role of the Council.

Mr Gil Blackman, deputy chairman of the CEGB, warned that separation of the National Grid from power station operations would risk blackouts. "The board's integrated power system is the best guarantee consumers have that the lights will stay on," he said.

The council retorted that there was "no empirical evidence" for Mr Blackman's warning. It said that a privatised grid should be "influenced to a large extent" by the electricity distributors who should own the grid *on their* own or jointly with generating companies.

Government ministers, while agreeing that the grid should not be split, are understood to be increasingly sceptical about the CEGB's bid to retain control of it.

This is an issue on which the council and the area boards are united against the CEGB. However, they clashed yesterday over a report which recommends flotation of the 12 boards and a severe *reduction in the council's* central functions.

Mr Jim Smith, chairman of the Eastern Electricity Board, said that although a centralised "co-operative service company" would be needed to handle research, industrial relations on behalf of the privatised area boards, "the council will lose its identity by the fact of privatisation."

The chairmen of all the boards except the North East Board had dissociated themselves from the view of Sir Philip and his "central council colleagues" that the council should be turned into a holding company for the distributing side of the industry.

The council last night defended its plea for a holding company. *While* recognising the "merit" of having autonomous local companies, which would compete "via emulation", it said a central body was needed to give them "national clout."

Competition in electricity, Page 18

W. Germany beats UK in the kitchen

BY RALPH ATKINS

BRITISH KITCHEN furniture have been found to be no match for the supremacy of their West German counterparts.

A report published today by Britain's National Institute of Economic and Social Research says productivity in West German kitchen furniture plants is 66 per cent higher than in the UK. In the production of cabinet panels, it says, output per employee in West Germany is twice as high as in Britain.

The study compares nine plants in Britain and eight in Germany. It follows an earlier National Institute comparison of metal-working companies which also showed a large productivity gap between German and British manufacturers.

The latest report concludes that, while British kitchen furniture companies are often more *profitable than their counter*parts in Germany, there are again worrying differences in production processes, quality and efficiency.

Kitchens made in Britain are low quality and use relatively crude technology in manufacturing, the report states.

About 70 per cent of British kitchens are sold in flat packs for do-it-yourself enthusiasts. The units are mass-produced, cupboard sizes are standardised and the range is limited. Most are sold by large chain-stores.

In contrast, German kitchens are made for the top end of the market, using high-quality materials and offering a comprehensive range of colours, finishes and accessories. Production is geared to orders from customers or retailers and little is manufactured for stock.

About 50 per cent of German kitchens are sold by general furniture stores, which often have large departments set out as kitchen showrooms. About 20 per cent are sold by kitchen specialists *and 25 per cent* by general sanitary, electrical and hardware dealers.

The report dissects the production stages in the manfucture of kitchen units, from the initial cutting of chipboard sheets to final assembly and packing. It repeatedly finds German manufacturers outperforming the British and, although British companies are adapting, the Germans remain one step ahead.

Paradoxically, British kitchen furniture companies are often highly profitable, whereas German manufacturers suffer from a saturated market and strong competition among top quality producers.

Howe attacks Soviet plan for Gulf force

By Robert Mauthner

SIR GEOFFREY HOWE, the Foreign Secretary, yesterday criticised the Soviet Union for promoting *the idea of a United* Nations naval force in the Gulf, but said the demonstration of "Western naval resolve" in the region had a salutary effect.

The Soviet Union had never explained how a UN naval force would work, who would contribute to it, what ships it would protect or whether it would be a fighting or observer force, Sir Geoffrey told the Conservative Middle East Council.

The Soviet proposal was "an unhelpful introduction of superpower rivalry" at a time when "prudent and restrained American action" had given Iran serious pause for thought and had heartened the vulnerable states on the Arab side of the Gulf.

Mr Javier Perez de Cuellar, the UN *Secretary-General, should* continue to be given as much political and practical support as possible, he said.

Sir Geoffrey was generally pessimistic about the situation in the Gulf. "We cannot be confident that Iran is seriously enough engaged in diplomatic efforts to refrain from another offensive on land. The Iraqis are continuing to try to stoke up the tanker war," he said.

Surplus schools 'hit taxpayers'

BY Michael Dixon, Education Correspondent

TAXPAYERS in England and Wales face unnecessary bills of at least £152m in 1992 because the Government has no effective mechanism for shutting down surplus school capacity, the Commons Committee of Public Accounts said yesterday.

The committee's report on falling school rolls estimated that even if local authorities met the Education Department's target for the removal of 844,000 surplus places for pupils by 1992, English and Welsh state schools would still have more than 1m places than children to fill them.

"At July 1986 prices these surplus places will in total cost an estimated £152m a year to maintain," the report said.

The committee added that, while the generality of local authorities had made "commendable progress" in removing unneeded places, some still lacked even a plan for closing down excess school capacity.

Falling School Rolls, third report from Committee of Public Accounts. HoC Paper 119. HMSO, £4.20.

Truck production facilities

TWO UK truck-producing centres were omitted inadvertently from a map of European assembly plants published in the Commercial Vehicles survey on November 12.

They were those of Seddon Atkinson, at Oldham, Lancashire, and Volvo Trucks (Great Britain) at Irvine, Scotland.

Seddon, owned by the Enasa trucks group of Spain, had sales of just under 1,600 trucks last year. UK registrations in the first 10 months of this year were up 11.78 per cent at 1,490 compared with the same period a year ago.

Production at Volvo's Irvine plant began in 1975

Charles Leadbeater reports on government plans to rationalise the bewildering number of employment projects

Fowler to unify all job training schemes

THE GOVERNMENT'S plan to rationalise its programmes for the long-term unemployed, announced yesterday by Mr Norman Fowler, Employment Secretary, will be greeted with a sigh of relief by all those who have been left confused by the bewildering plethora of schemes which have been introduced over the past few years.

From next September, the Community Programme, the Job Training Scheme, the new Job Training Scheme, the Wider Opporunities Programme, the Employment Rehabilitation Scheme, and a set of programmes for minorities, will disappear. They will be replaced by a unified scheme.

The details of the replacement scheme will be worked out by the Manpower Services Commission over the next few weeks and Mr Fowler outlined the terms of the detailed review.

The unified programme will have a budget of about £1.5bn, for 600,000 places, to give people unemployed for more than six months a year-long programme of work and training. The Government will publish a White Paper in January outlining its plans in detail.

While the Department of Employment insisted that the revised scheme is more than a simple merger of the new Job Training Scheme and the Community Programme these two schemes will form the core of the unified programme.

Mr Fowler's decision to rationalise the provision of schemes reflects criticisms of both programmes. The new JTS which was launched nationally last April has fallen well short of the Government's goal that it should provide 110,000 places by the end of the year. As yet it is only providing about 20,000 places.

However, the Government is keen to pursue some of the principles behind JTS, despite its failure, particularly the scheme's attempt to provide individualised training and to increase private sector involvement in provision for the long-term unemployed.

Norman Fowler: rationalising training schemes

In addition the Conservative's election manifesto included the guarantee that all people aged under 25 who had been unemployed for more than 12 months would be offered a place on the new JTS. The scheme's problems meant it was unlikely it would be able to fulfil this pledge without fairly drastic reform.

The Community Programme, which has funding for about 255,000 places, has grown in popularity over the last five years but it remains largely a scheme to provide part-time, temporary work for the unemployed rather than a structured route back into employment based on the acquisition of skills.

In the light of these drawbacks, the Government plans a series of important reforms. People who take up a place on the revised programme will first spend three days with a "training agent" who will advise them on the best possible mix of work and training.

For younger people, or those with some skills this might involve work with an employer. For those who are older and have been unemployed longer it is more likely to be project based work and training akin to the Community Programme. Whatever the training route it is likely, on average, participants will spend two days a week in training.

While some people will be trained to craft and technician standards, it is expected that much of the training will be to provide basic skills. Researchers recently found that about a quarter of the long-term unemployed, who have gone through the Restart counselling programme, lack basic numeracy and literacy skills.

Mr Fowler hopes the enhanced training will make the scheme more effective than its forerunners in placing people in jobs. Participants will also be given help finding a job, possibly through Jobclubs, which offer subsidised job search facilities, such as free telephones, free mailing and advice on job applications.

Finally, Mr Fowler confirmed that trainees will be paid according to a revised formula, called "benefit-plus". Participants in the Community Programme are paid a wage linked to the local rate for the job. As the Government has also set a £67 ceiling on the average weekly wage on the Community Programme, this has meant that most people on the programme can only work part-time.

Moving to a system where participants are paid a training allowance equivalent to their benefit entitlements, with an additional premium to cover work expenses and to provide an incentive to draw people off the dole, will also allow more full-time participation.

The additional premium could also solve some of the problems of the new JTS. One reason the scheme has been unattractive to the unemployed is that trainees have been paid an allowance worth little more than benefits. The additional premium should make the kind of work and training offered by the new JTS more attractive.

Mr Fowler also hopes that the benefit-plus system will draw older, unemployed heads of families on to the scheme. The Community Programme has largely become a programme for single people, as their benefit entitlements are often less than the average wage of £67 but benefits paid to heads of families are often worth more than £67.

While this plan to provide more full-time work and training within a single programme to a wider range of people seems well thought out, there are still some significant problems which will have to be sorted out.

The amount of the premium, paid in addition to benefit entitlements will be crucial. If the premium is pitched too low it simply will not attract people on to the scheme. The details of the premium are yet to be worked out. In addition, the money for the premium and the resources to provide extra training will come from the same pot. A higher premium may make it more difficult to ensure higher quality training.

Trade union, local authority and voluntary sector opposition to the introduction of benfit-plus payments may be allayed by turning the programmes into training schemes.

Nevertheless, the far-reaching changes set in train by the Government may also provoke the unions, local authorities and voluntary organisations to undertake a similarly far-reaching review of their role within the programmes.

It will be difficult for the Government to push through changes which the voluntary sector and the local authorities oppose, as they provide a majority of places on the Community Programme. It is also equally clear the Government will have to change the way voluntary bodies and local authorities run schemes if they are to provide enhanced training. New measures to ensure quality of training will also have to be introduced.

Finally, the Government is keen to win more private sector involvement in providing schemes, to ensure that it is conducted within a more commercially aware environment. The Government is keen that companies should provide more work placements, even though many employers feel they are doing as much as they can to provide work placements for youngsters on the Youth Training Scheme.

BUSINESS LAW

Is your journey really necessary?

By A.H.Hermann, Legal Correspondent

THE propensity of first year law students to scrutinise all sorts of daily trivia in the light of their freshly acquired knowledge serves a useful purpose: in this way they are able to remember what they have heard at the last lecture. Unfortunately, some of them never grow up. They love legal trivialities, particularly if they can get some publicity from bringing them before an international court; and even more so if they can find a sponsor willing to pay the costs.

In this way we were treated to the unedifying spectacle of the European judges in Luxembourg solemnly pontificating about a complaint by two French prostitutes that a Belgium measure preventing them exposing themselves in a shop window was a contravention of the EC principle of free movement for workers. We also followed with utter amazement the Duke of Westminster's complaint to the European Court of Human Rights against UK legislation giving leaseholders the right to purchase the freehold - a complaint which seemed quite hopeless in the light of previous jurisprudence of the court.

We are now promised more such legalistic entertainment with the suggestion that London buskers ask the Human Rights Court to say that they have the *freedom to fill public places with* song and music - a petition I would support only on condition that they play Mozart, and play it well.

And then there are the Irish "homeless" who have a home in the Republic but are threatening to take Camden Borough Council to Luxembourg for refusing to pay their hotel bills. They seem to overlook the fact that once the Community is viewed as a single market, a person can make himself no less "intentionally homeless" by giving up his home in Dublin than by giving up one in Birmingham. In addition, skipping legal niceties, it would be quite unpractical to expect Camden to house every Greek, Italian, Spanish, Portugese and Irish worker who came to look for a job in London.

However, besides cases where the decision to invoke European jurisdiction is taken rashly, there are those which are referred only after the most exhaustive deliberation - but still quite unnecessarily. In this category falls the complaint by the Association of Pharmaceutical Importers* that it is contrary to the EC free trade rules if UK pharmacists are prohibited from substituting for a certain medicine the same product of the same manufacturer marketed more cheaply in another EC country, albeit under a different trade mark.

Those unfamiliar with the marketing of pharmaceutical products may ask why a company should wish to sell its products under different names in different countries. For the simple reason, of course, that in some countries it gets a better price than in others and that trade marks - as the present case shows - can still be used to prevent the product to be imported by an "unauthorised" or "parallel" importer from the low price country to the high price country.

The reasons why prices can differ very substantially between member states of the Community are varied: cartelisation in the Netherlands, price control in France, the National Health Service in the UK, all help to keep the prices high.

Perhaps the right course for the EC would have been to tackle the causes of these price differences. However, it took a different course, it attacked the use of patents and trade marks for the protection of high-price markets.

A series of European Court judgments established beyond any doubt that patent and trade mark rights are exhausted as soon as the product is placed by the manufacturer or with his approval on the market in any of *the member countries. This* opened the door to parallel importers, first in the audio industry and finally in the motor car industry, but in between the EC doctrine was firmly established and refined in a series of cases involving Sterling Drug and Winthrop, *Hoffmann-Laroche*, American Home Products, Merckpfizer. These companies fought and lost seven cases altogether, each of which was a step in the gradual curtailment of patent and trade mark rights or of the registration advantage enjoyed under health safety regulations in most countries by the research-based pharmaceutical industry. In each of these cases the real adversary was not the parallel importer but the EC Commission.

These judgments of the European Court, together with directives of the EC Council, led to the adoption throughout the Community of a system facilitating parallel imports. In the UK the Product Licence for Parallel Imports scheme (PLPI) was introduced by the DHSS in May 1984. Some 220 such licences were granted for products marketed at a lower price in another EC country by holders of a UK ordinary product licence. The only condition was that the therapeutic effect was identical. The result was that the parallel importers, often with their own distribution chain, made substantial profits out of the price difference.

Most of these products were marketed by the manufacturer under the same name abroad as in the UK but about 50, including 19 of the most commonly prescribed drugs, were trademarked differently. Pharmacists found it profitable to supply the foreign branded version even if the product was prescribed by the doctor under its UK name.

To put an end to this practice, the Pharmaceutical Society, with the backing of the DHSS, issued a statement on June 12 1986, asserting that the chemists' obligation to follow doctors' prescriptions exactly precludes the substitution of differently named, PLPI licenced, imported products for the domestic brand of the same product. Any deviation from the rules exposes chemists to criminal charges. The effect of this statement of DHSS instructions was dramatic: the lucrative parallel imports of differently named drugs dried out *almost instantly*.

This prompted the Association of Pharmaceutical Importers (in fact parallel importers) to ask for a judicial review of the measures taken by the DHSS and the Pharmaceutical Society. They argued that these measures were equivalent to quantative restrictions on imports, prohibited by article 30 of the EC Treaty.

This contention was rejected by a divisional court of Lord Justice May and Mr Justice Simon Brown. They held that the adverse effect of the measures *on EC trade was not due to the* infringement of article 30 but to the doctor's reluctance to prescribe "parallel imports".

One may like it or not, but there is little doubt that this decision is grossly out of tune with the jurisprudence of the European Court.

First, the Divisional Court paid no attention to the very wide meaning given by the Luxembourg judges to article 30. They held, in *Dassonville*,** that this prohibits "all trading rules enacted by member states which are capable of hindering, directly or indirectly, actually or potentially, intra-community trade..." There is no way one can argue that the interpretation given by the DHSS and the Pharmaceutical Society to UK legislation does not fall within this definition.

Second, there is no fall back on the exemption provided for trade-mark rights in article 36. In the *American Home Products**** judgment, the European Court went as far as to authorise the parallel importer to re-label the imported products with the domestic name whenever it could be proved that the manufacturer uses two different names or trade marks with the intention of separating national markets. It left it to the national judge to say whether such was the case. The Commission went even further: it encouraged the parallel importers to "take the law into their hands".

True to form, the Commission is now taking the UK to the European Court, asking it to say that the DHSS instructions, con*firmed* by the *Divisional Court*, represent a failure on the part of the UK to abide by its Treaty obligations.

In the light of all this one would have said that the EC law applicable to this case was sufficiently clear for application by UK courts without reference to Luxembourg. However, instead of reversing the Divisional Court, the Appeal judges, LJJ Kerr, Ralph Gibson and Russell, sent it to Luxembourg for a prejudical opinion.

Reading the 38 pages of Sir Michael Kerr's judgment carefully, one can sense that he has little doubt about the outcome, though he believes the opposite to be arguable. He fears that because Lord Diplock sent to Luxembourg a case where he had no doubt about the meaning of EC law only because the Court of Appeal differed from his view *(Henn and Darby v DPP)* the present case would have the same fate if appealed to the House of Lords.

One would hope, however, that their Lordships would not feel equally obliged to send the case to Luxembourg if they agreed with the decision of the Court of Appeal overruling a lower court. After all, if European law is part of UK domestic law, it should be, as far as possible, applied by UK courts. The delay resulting from an unnecessary reference to Luxembourg may in fact serve only those who wish to frustrate the European law's effectiveness.

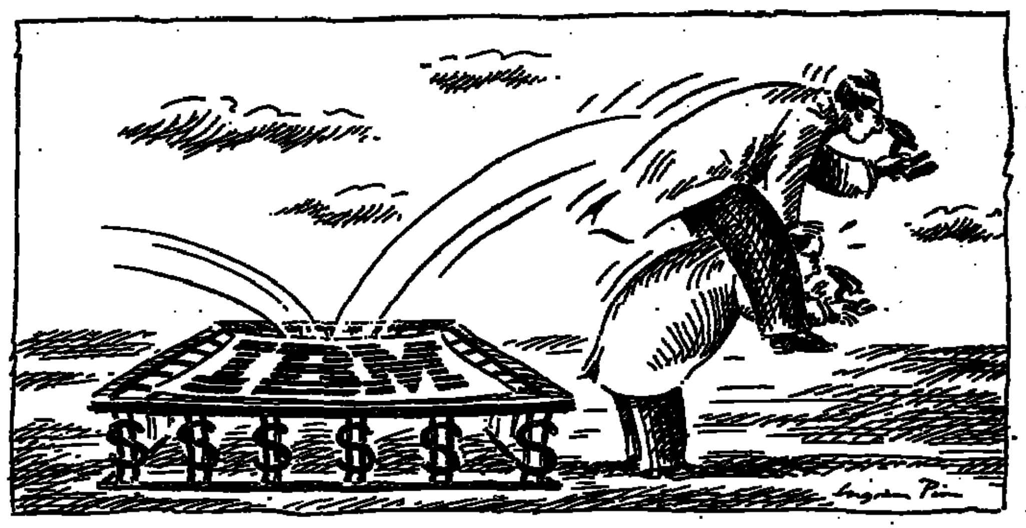
* *FT Law Report October 20 1987.*

** *Case 8/7 Procureur du Roi v Dassonville [1974] CMLR 436.*

*** *Centrafarm v American Home Products [1979] CMLR 326.*

Where the backroom boys are leading IBM

David Fishlock explains how the computer giant is building a reputation as the world's foremost industrial research establishment



HISTORY BOOKS on technology will probably feature IBM not as the world's biggest computer maker, but as the company which invented a new kind of microscope in 1981, and which discovered superconduction in a ceramic in 1986.

These two scientific advances have earned IBM's research division what for an industrial organisation is an unprecedented four Nobel prizes in just a year. In the opinion of some scientists, IBM has usurped the position long held by AT&T Bell Laboratories as the world's foremost industrial research establishment.

The scientific world acknowledged the microscope's importance by awarding its two inventors the Nobel prize for physics in 1986. For IBM, it is already proving a pervasive scientific tool throughout the research division, where horizons lie 15 years in the future.

Other science-based companies - ICI is one - have begun to see the scanning tunnelling microscope and its incredible 3D contour maps of surface features of entities as tiny as the AIDS virus as a tool they must add to their inventories.

This month, only a year after the discovery was formally reported, another pair of IBM scientists shared the latest Nobel physics prize, for discovering superconduction(the disappearance of electrical resistance) in a ceramic. This is the first big advance for over two decades in one of the most tantalising challenges of physics, a phenomenon having uncanny kinship with perpetual motion.

Both of these advances were made, moreover, in a veritable backroom, the small Zurich laboratory of a sprawling research division spanning 6,000 miles. The span is an attempt to tap simultaneously three very disparate academic cultures.

The 3,200 staff of IBM's research division will spend about £250m this year. However, science accounts for only one-tenth of the company's total research and development budget of $3.97bn. The other nine-tenths is spent mostly in its 25 product development laboratories round the world.

The science budget goes into quests it has selected carefully, not on the offchance they may advance knowledge and earn a Nobel prize, but because there is a very good chance they may become important to IBM in the next 10-15 years, says John Armstrong, research director and a newly-elected IBM vice-president.

"In these areas, it is our goal to do the best science that is done anywhere," says Armstrong. He rejects any notion that there is "a level right for Oxford but not really appropriate to us."

In the chosen areas the aim is to do either the very best science which can be transferred to the company's 25 development laboratories worldwide, or simply "the very best science we know how to do." Sometimes the science is more advanced than is appropriate for transfer, as with the new microscope so far (even though the central research laboratories of other companies are beginning to covet this invention).

To take another example, a decade ago IBM scientists invented the tunable dye laser, a versatile and productive idea for technology in general - as a source of laser light which can be varied in "colour" as readily as a radio receiver. But the tunable dye laser has yet to find a role in an IBM product.

Identifying what may be important to future IBM products and processes is the easier part of a very difficult task. For the rest, "the only reliable guide we've found is to follow the lead of our very best scientists," Armstrong says.

As research director, Armstrong - an electronics engineer with a reputation for invention himself - works closely with Ralph Gomory, an internationally respected mathematician who managed IBM's research division until promoted last year to the inner circle. Gomory, IBM's chief scientist, is responsible at main board level for the research division. He also remains IBM's vital link with the academic world, where the company spends about $100m a year.

Armstrong's research army is grouped in three centres: the Watson Research Centre at Yorktown Heights, New York, the biggest and his own headquarters; the Amalden Research Centre near San Jose, California, nearly as big as Yorktown Heights; and the much smaller Zurich Research Laboratory. It has been this way for nearly 30 years.

No book says this is how to run a perfect industrial research laboratory, Armstrong admits. The scope of IBM research is similar to that of a decade ago, but wider. "I believe we are learning how to be more effective." He means that the company's engineers are making increasing use of the work of the scientists.

Of one thing he is convinced: the only efficient way to manage science is with people who themselves are scientists or engineers. Only people having this background can manage creative people and evaluate their performance, he contends.

Despite the Nobel prizes, Armstrong denies that his scientists are free to do anything they wish. There are always more opportunities for first-class research than resources permit. So research management agrees on the priorities, while he reserves for himself the right to back an individual quest simply on the hunch that the scientist could make a first-class contribution.

Indeed, top management expects him to use his own judgment as research director in this way, he says.

If, however, he wanted to move into, say, a new area of computing science, he would first consult with his top management team, including the directors of the Amalden and Zurich laboratories, and Praveen Chaudhari, his vice president for science, also at Yorktown Heights.

Similarly, research management would take a collective decision to stop a research project. Armstrong himself was part of the management team which decided in 1983 to abandon a major project on the superconducting computer. Despite a world-class research effort, it was agreed that technology based on the superconducting Josephson junction was simply not going to make it, in competition with the still fast-developing silicon chip. (Other companies appeared, then and since, to take the same view.)

Armstrong believes there are no general rules for the invidious task of having to stop research projects, except to recognise that it is a constant process in effectively managing research. "One way is to think of it as an essential part of self-renewal," he says.

Each year the research division submits its plans to IBM management. "Although the scrutiny of our plan is rigorous, it is not onerous," Armstrong says, adding that he knows university dons who have a much harder time justifying what they want to do. A science advisory council composed of senior IBM staff and academics, which reports to Gomory, helps review the plan.

Typical of a fundamental investigation is the Amalden laboratory which is evolving a new physics of boiling, to try to explain how microscopic bubbles of fluid flash to vapour when they touch a very hot surface. This cannot be explained by textbook heat transfer theory. But an explanation may hold the key to a fast yet silent printing process in which micro-bubbles of ink flash to vapour on touching minuscule "hotplates" forming part of a silicon chip.

"By and large people have every bit as much freedom as the quality of their scientific ideas, talents and achievements justify," claims Armstrong. He cites the invention of the scanning tunnelling microscope(STM) as an example purely motivated by science, and so far chiefly a contribution to science. "No-one asked: why are you doing this?"

This is a microscope capable of resolving atoms; not just the big ones but atoms of any size. It can see atomic-scale flaws in a crystal, of the kind that become increasingly important as semiconductor scientists strive to cram ever more functions on each chip. It can even assay what a crystal is made of - atom by atom.

The STM, developed by Gerd Binnig and Heinrich Rohrer in the Zurich laboratory is a miracle of precision engineering; although by modern standards of instrumentation it is an inexpensive concept. It paints its picture by scanning the sample with a needle sharpened to a single atom at its apex, held at a distance on just a few atoms.

THE TRICK is to hold the two so nearly touching that their electron clouds mingle. Then electricity flowing between them is enormously amplified by the slightest surface aberration, even a single atom protruding or missing.

The Yorktown research centre already has more than a score of these microscopes, and also academic collaborations with several universities, including Oxford. Some IBM scientists believe that such an exquisitely sensitive instrument will be needed on the production line, controlling chip quality within perhaps 15 years. Binnig says, when they began colleagues told them they were crazy - but that nevertheless the idea might just win a Nobel prize.

IBM abandoned its main project in superconduction in 1983, and redeployed a large team in the research division, mainly in studying very high performance silicon. Its interest in superconduction never died, but scientists in the two big US research centres admit, somewhat shamefacedly, that they were slow to catch on to the superconducting ceramics discovery of their European colleagues, Georg Bednorz and Professor Alex Muller.

Some say the Europeans themselves were unusually cautious about circulating news of their discovery, even within the research division, because of the history of charlatanism associated with claims for superconduction; and the relative vulnerability of the Swiss "backroom" as the newest and smallest of the three IBM research centres.

But towards the end of last year word began to circulate, not only in IBM's US laboratories but also in academic centres and such places as AT&T Bell Laboratories, that the Zurich laboratory was genuinely on to something new. This was a "warm superconductor", which lost its electrical resistance - not some but all of it - at a temperature 12 degrees higher than anything discovered since the 1960s. What is more, the superconducting substance was a ceramic, a kind of material which is normally electrically insulating - non-conducting - and which no-one previously had thought of investigating for superconduction.

In their citation for the latest Nobel prize in physics, the Royal Swedish Academy of Sciences says Bednorz and Muller stand out clearly as the discoverers of this specific superconductivity, and have inspired others to synthesise substances having still more interesting properties.

IT ATTRIBUTES the finding to systematic work, deep insight and experience and the intuitive character of the true scientist. It pays tribute to the way the IBM scientists have inspired many other researchers.

Armstrong likens the role of a corporate research division to that of a decathlon athlete, inasmuch as it wins gold medals for doing not just one but several things exceptionally well. "Our goal is to be the most effect research organisation that there ever has been." For this, another thing the research division must do well is to transfer ideas efficiently into development and manufacture.

Something IBM has learned the hard way is that technology transfer is much more than a matter of issuing orders. It is a process which works only with the wholehearted participation of the people behind the ideas, and the people who can use them.

"An industrial laboratory always has problems in technology transfer," says Praveen Chaudhari. It is a constant struggle to ensure that the scientists are working on relevant topics, and to get their ideas across to development.

Can technology transfer be accelerated efficiently? This is a question which exercises IBM research management no less that its prizewinning science.

IBM's most important technology transfer technique is the joint research programmes, says Armstrong. These are programmes organised since 1981 with IBM's 25 development laboratories round the world. These are the laboratories charged with doing the research and development for new IBM products, such as the latest computer data storage system. Development laboratories encompass a large fraction of the major technology of importance to the company.

The idea is that the research division and the appropriate development centre shall both commit resources to a joint programme in an area carefully chosen as ripe for transfer. Sometimes the corporation itself chips in with a bonus.

What this can achieve is a "critical mass" of technical effort from the sub-critical efforts existing before. It can also inspire a common technical plan and outlook, roughly define the division of labour between R and D, and generate an intensely competitive spirit at the technical level, Armstrong explains.

The horizon of these joint programmes is the generation-after-next in electronics, five to 10 years. The whole idea is to break free from the institutionalised orderliness of linear transfer from research to development to advanced manufacture, and focus on technology which might be leapfrogged into use.

This is an attempt to bridge the all-too-common obstacles to technology transfer from research to development that bedevil most companies. Since 1981, IBM has organised joint programmes in such areas as magnetic storage, advanced silicon systems, gallium arsenide(a substance for making quick-reacting chips) and workstation design. From such programmes John Armstrong asserts that he has the evidence he needs, of an accelerating flow of new technology from the research division into IBM projects, to justify wider use of the joint research programme.

While freedom for the creative spirit seems to be the keynote of IBM's academic achievements, research management understands that the shareholders will always judge by the efficiency with which it harnesses that spirit.

●Next Thursday's Technology Page will look at the development of IBM's latest computer data storage systems.

Matsushita gets battery power down on paper

BY GEOFFREY CHARLISH

THE FACT that space has to be found for batteries in portable electronic equipment is a handicap for the designer. They are usually cubic or cylindrical in shape, awkward to place and can easily add 20 to 30 per cent to the equipment volume.

An answer may soon be forthcoming from Matsushita in Japan, where a team has produced electrolyte, the chemical "filling" in the sandwich formed by positive and negative metal plates, in paper form. The company plans to make batteries that are no more than 0.1mm (0.004 inch) thick.

Battery electrolyte is customarily a fluid or paste to give sufficiently intimate contact with the plates. The Matsushita team has achieved satisfactory results by mixing a polymer, dissolved in an organic solvent, with powdered solid electrolyte.

The resultant slurry is coated on a supporting sheet and dried. Thicknesses from a few microns (millions of a metre) up to two or three millimetres are feasible.

Apart from such obvious uses as powering smart cards(cards containing a microchip with memory capacity), there is also the prospect of building batteries into equipment casings to remove their bulk from the interior. The batteries cannot leak, will work between -60 and +100 deg C and are not affected by vacuum. The work is still in the development stage and no samples are available yet.

Glyndebourne's other face

This week Glyndebourne is performing in Birmingham with its new opera *The Electrification of the Soviet Union* by Nigel Osborne. It is not quite the image of strawberry scoffing, black tie, elitist audiences in an exclusive setting that Glyndebourne usually creates among the unknowing.

But to a great extent the performnces in Birmingham are dearer to the heart of Glyndebourne's chairman Sir George Christie than the gatherings in the garden of his ancestral home. "I have two main aims," he says. "Educating more people to opera and extending the repertoire."

Unfortunately both are costly, and except for its annual autumn tour, Glyndebourne receives no state aid. It must be the Prime Minister's favourite arts organisation, earning two thirds of its income from box office and most of the remainder by courting business. When Sir George embarks on a new opera he is jeopardising the delicate financial balance of Glyndebourne.

Yet the new productions are coming forth and there is now more committment towards them, despite their problems. The last three, by Nicholas Maw, by Oliver Knussen, and by Nigel Osborne were all late in arriving, usually through unavoidable delays. This throws out the schedule and adds to costs. Then there is the difficulty in attracting a capacity audience to them. When *Knussen's "Where the Wild Things Are"* was performed during the Glyndebourne summer season there was not the usual full house, and there were also empty seats at the early performances of *Electrification*, both at its opening at Glyndebourne and during the tour.

But this has not deterred Sir George from adding *Electrification* to next summer's Glyndebourne. He sees it as an opportunity to attract a new audience to the place. The tickets will be half priced and marketed towards younger people.

New operas also have the additional expenses of origination costs and longer rehearsal times, although the modern costumes and basic sets of *Electrification* produced a compensatory saving.

Extending the repertoire and educating people to opera are dear to Sir George Christie's heart. Antony Thorncroft reports.

What is less easy to overcome is the task of finding a sponsor for such a challenging new production. Usually companies form a fairly orderly queue to cough up the £100,000 plus needed to back a fresh Mozart production or a revival of a Verdi. They get publicity and are allowed to buy a few more seats in return for their help. But for *Electrification* Glyndebourne was fortunate in having a rich friend in Vincent Meyer, a Frenchman *from the Lazard Freres family.*

Sir George has already commissioned his next new opera, and this time it is a much more amibitious and costly enterprise. Sir Michael Tippett is well into composing *New Year*, based on his own philosophy of life, which should appear at Glyndebourne in 1990. To defray some of the costs this is a joint production, with the BBC and Houston Opera meeting some of the commissioning and production expenses. Tippett's name, and that of Sir Peter Hall, as director, should also ensure a sponsor (although there is no company yet confirmed). Still, it is an act of faith in looking towards an octogenarian for a new opera. Yet another work, scheduled for 1994, is in an advanced planning stage.

Before it arrives Glyndebourne should be transformed. In another attempt to silence the criticism of elitism, and also to raise box office revenue while simultaneously reducing prices, an extension is planned for the opera house which will add hundreds of extra seats. But this will involve the loss of a season.

"I get worried by the economics of new productions," says Sir George "but we must be seen as originators." If everything comes out trumps Glyndebourne gains not only in reputation but, potentially, in profits. *Porgy and Bess* was not exactly a new opera but it had not been given such a lavish production for years when it was the hit of the 1986 season. "It has plenty of life in it still."

Porgy and Bess typified the best of Glyndebourne. Because of its setting and its traditions (which Sir George does not want *to disturb) Glyndebourne will* always be regarded as part of conservative England. But it is time it received more credit for its costly and adventurous attempts to propogate new music.

Barry Humphries as Les Patterson

Alastair Muir

Back With a Vengeance!/Strand

Michael Coveney

Ten years ago, Edna Everage was a mere housewife superstar newly invested with a Damehood. Her favoured garb of a denim two-piece and wedged sandals gave way to more exotic clothing and she entered the Thatcher era confidently ensconced among the Mustique-hoppers and Langan's lunchtime crowd, craving a son like Elton John.

At the beginning of this decade she moved into megastardom amd palmistry, bringing audience members onto the stage to participate in a barbecue and to suffer a few well-meaning insults. She has become the best chat show hostess on the box, but compliments in that field mean very little at the moment. Apart from that, little has changed. Gladdies were still being hurled around the auditorium when I left shortly before the breakfast order, and Dame Edna was still going strong in her Tina Turner-style designer red tatterdemalion party frock and mauve wig.

Madge turns up from the Norm's lying-out in some trouble herself, heavily bandaged "like an animated fingerstool." She then disappears. Norm had unwittingly donated all his organs to medical research, so that when his widow arrived he was "just a dent in the pillow." Various other disability jokes ensue, the paupers in the balcony suffer their ritual humiliation (nothing they like better, apparently) and Dame Edna works the front stalls. Last time, victims were roped into an anti-climactic barbecue. This time, all hint of terrorism has gone. It is like kiddies pantomime,the chat show a good deal unfunnier than even those recent London Weekend rendez-vous.

There were no surprises , no evidence of interesting upheaval in Dame Edna's life, which remains untouched by AIDS or the Big Bang or even next year's bicentenary. That latter happy event was touched upon in the first half, introduced by the irrepressible Sir Les Patterson, newly doctored but still pulling at a large crutch. This obscene vision of alcoholic oafishness in Cuban heels and heavily stained lightweight Embassy wear remains a delight, whereas Dame Edna is in danger of becoming a repetitious bore.

Repetitious boringness has long been the preserve of Sandy Stone, the Melbourne grass widower still mumbling beyond the grave. This is one of Barry Humphries' longest running characters, and probably his favourite. The spectral suburbanite has received a new lease of life from multi-cultural Greek ethnic marauders among his home and memories, and this section of the show was the best-written and best-prepared of the entire evening. It was also very well performed.

Berlin Days, Hollywood Nights

Martin Hoyle

Hanns Eisler is held by many musicians to be a better composer than Weill - at least in collaboration with Brecht, with whom they both worked. *Political* rather than artistic considerations may have obscured his reputation in the west; for after a successful period in Hollywood with other German exiles he was hauled before the House Un-American Activities Committee, was deported, and settled in East Germany where he found a different sort of disillusionment.

Nigel Gearing's new play at The Placereveals the fascinating family background: a *sister who* was national president of the German Communist Party before the war, condemned to death in her absence at one of Stalin's show-trials, and whose increasing paranoia about OGPU death squads (her husband was assassinated in Havana) led her to testify to the raincoated men from Washington. The other brother she betrayed, Gerhart, skipped bail, stowed away back to Europe and ended up as head of East German radio and television before dying in Moscow where, as Oscar Wilde might observe, all good East Germans go when they die. (The bad ones go to East Germany.)

Financially aided by St Michael (the label, not the archangel) and Yorkshire Arts, Paine's Plough bills itself as "The Writers' Company" which, refreshingly, it is; but it's also a musicians' company. The eight-strong cast line up to *lend* a hand with saxophones, trumpet, clarinet, drums, bass, piano and accordion when necessary. They also sing the generous selection of Eisler numbers that punctuate the action, to translations by such established Brechtians as John Willett, Eric Bentley and Bettina Jonic. Above all, they move, in Pip Broughton's effortlessly fluent direction, through politics and personal passions, from Berlin to California and back (though omitting what Hanns called a tough, malicious little city, London), in a seamless narrative that for once interweaves the intimate and the political, private and public, into a convincing whole.

A low traverse curtain sets a note of feral crudity that recalls Grosz, but the production uses stylisation sparingly and tellingly - workers are stilled into a frieze, violence is, ironically, almost attractively glimpsed in silhouette, the robed chairman of HUAC rises from his seat to tower over the stage on stilts like one of the fantasist brothel clients in Genet's *The Balcony*. That increasingly rare virtue, a sense of irony, adds strength to both writing and direction.

As the Eisler brothers, the composer and the political activist whose involvement in murders of expediency may or may not be figments of his frightened sister's imagination, Robin Soans and James Windsor are selflessly shaven-pated to resemble the real thing. Fidelis Morgan manages to make Ruth, the dedicated party member who recanted, went over to the Hearst press and died in Paris (Wildean credentials for an American), the convincing embodiment of intellectual, activist femininity, as well as attractive and vulnerable (for once you can believe in a character's reputed intelligence). She is also a nifty drummer.

Not all the company's diction is crystal clear, but the fascinating story never flags - from Schoenberg ("that petit bourgeois - that *monarchist!*"), whom Hanns worshipped, cruelly abusing his disciple for artistic betrayal, to Brecht's bland pusillanimity before HUAC - he denied being a party member, it all stemmed from his being mistranslated. The odd line rings out timelessly: "He doesn't know what a man is - he only knows his price" might describe our masters today. The songs are tremendous. The final orchestral snippet sounds disappointingly like Wagner crossed with Jerome Kern, but at least bears out *Hanns' valedictory: "Our singing* is nothing powerful, but it belongs to life."

Phantasmagoria/Sadler's Wells

Clement Crisp

As part of the celebrations of its twenty-one splendid years, Robert Cohan has devised a new spectacle for London Contemporary Dance Theatre. Inspired by the optical trickery and grotesqueries of the Phantasmagoria shows that flourished in the theatre at the turn of the nineteenth century, Cohan has come up with a display of modern theatrical sleight-of-hand. The obvious predecessor to this *Phantasmagoria*, which opened LCDT's London season on Tuesday night, is *Stages*, the run-away success he gave the company in 1971. But where that earlier show was firmly based on a theme, this new production is little more than a collection of disjunct numbers, relying for their interest on eye-catching effects.

Thus, the first half of the evening offers a series of magic diversions which are a substitute rather than a setting for choreography. Pandora's *nox* yields up a batty collection of horrors, from a four-legged man to Frankenstein's monster, and leads on to Perseus, the Graeae and the decapitation of Medusa, some Nikolais trickery with dancers indistinguishable from a set, and optical illusions with dancers moving round reflecting panels.

It is ingenious (though looking in need a more stage-rehearsal, since some of the visual juggling lacked slickness), and undemandingly entertaining. Darshan Singh Bhuller has choreographed a quirky solo for Kenneth Tharp, whose suit has incendiary tendencies - it gives a new meaning to the idea of a smoking jacket - which Mr Tharp brings off with great elan. There is a scene of American footballers disporting themselves with bare back-sides, and dancing, one might say, cheek to cheek, and Patrick Harding-Irmer ends this section spinning madly inside a giant rotating astrolabe, amid the inevitable strobe lighting. We gasp.

The second half of the evening, largely choreographed by Tom Jobe, is rather harder to justify as an example of a modern magic-lantern to dazzle the groundlings. Framed by some excellent disco-dancing - the company on its most limber and electric form - we are treated to a "Gala in the Elysian Fields" which amounts to inexplicable tributes to such figures as Maria Callas and Edith Piaf. (There were four other dedicatees of whom I have to admit complete ignorance.) The scenes look like undistinguished cabaret, redeemed from banality by the tremendous energies of the cast, who strut and romp through the predictable dances with wonderful skill.

Nadine Baylis has seized every design opportunity to make the stage seem hallucinatory; Barrington Pheloung has produced a score, filled with electronic wizardry, that drives the action along at a cracking pace and never relaxes it rhythmic pulse. It is, I suspect, an evening for a young audience, eager to be dazzled by such shenanigans, as well as by LCDT's magnificent dancers. They will not be disappointed.

YMSO/Barbican Hall

Paul Driver

The Young Musicians Symphony Orchestra set out to bring us Sir Michael Tippett himself in what was to have been a Tippett and Elgar programme at the Barbican Hall on Monday evening, but Sir Michael is currently recovering from a successsful operation to remove a malignant tumour and, though well, indisposed to conduct. This concert was therefore in the full charge of the orchestra's artistic director James Blair, and the first of the two planned Tippett items - his Suite for the Birthday of Prince Charles - became an item by his rival, Sir William Walton, notably the *Crown Imperial* Coronation March, a fine Elgarian paste-up very popular with youth orchestras and way below the technical level of this distinguished pre-professional orchestra. The second Tippett work - his Piano Concerto of 1955, *immensely challenging* for any orchestra - remained the same, and the concert ended with Elgar's Symphony No 1.

The march was performed in a way that seemed deliberately not too snappy or slick - the middle section tune had a wilfully restrained tread - and was thus endowed strangely with a pleasing sense of perspective and difference. It nevertheless came over with its tight-lipped bluster and red-faced patriotism as just the sort of occasional music that Tippett would never write, as a performance of the Prince Charles Suite would have demonstrated.

Martino Tirimo was the soloist in the concerto - he has taken up a work boldly beautiful and original which has been much in need of advocates, and already played it in Denmark and East Germany. And he makes a fairly strong case for himself as sensitive and intelligent interpreter of this virtuoso music whose sheer quantity of notes, not only in the piano part, is enough to defeat most attempts to render it at all, *let alone draw out its full, gener*ous measure of poetry.

The orchestra played its part superbly well: the delineation of complex interlocking woodwind figurations in the first movement was as good and as fresh as I've ever heard it. The great vibrant string choruses at the end of the second (a dialogue between piano and accompaniment modelled on the opening of the slow movement of Beethoven's fourth concerto, an *overheard rehearsal by Gieseking* of the first movement of which inspired Tippett to write his own concerto in the first place) had all the requisite precision and shimmering strength; and the elaborate long-sustained canonic lines for wind that preceded them were most deftly undertaken.

Perhaps attention to detail - laudable though it was - had led to some neglect of the overall sweep of the first movement, whose formal structure seemed merely sequential at times; but there was no mistaking the elan, *and the accomplishment*, of the finale. Tirimo here, as throughout, evinced a careful, classicist feeling for the music; he did not, for instance, indulge the bluesiness of the episode with celesta obbligato two-thirds of the way through. Nor had he earlier let rip with the first movement's cadenza and other opportunities for clamorous display. It was gratifying, on the other hand, to pick up so much of the inner detail of the piano part, rarely *audible before; though the* purely chaste tone quality, the rapturous quiet glint, needed for the solo ending of the slow movement eluded him.

Lowry Ballet premiere in Manchester

Lynn Seymour and Christopher Gable will take the roles of L.S.Lowry and his mother in Gillian Lynne's new ballet for Northern Ballet Theatre, *A Simple Man*. Celebrating the life and works of Lowry, the work will have its world premiere in Manchester on November 30.

Lasserson Memorial Violin Prize winner

Aaron Stolow has won the 1987 Sascha Lasserson Memorial Violin Prize.

A student of the Juilliard School in New York, part of the prize is a recital at the Wigmore Hall during 1988.

Second prize went to Lawrence Jackson from the Royal Academy of Music: Clio Gould from the Guildhall School was third.

For more than 25 years the invention and wit of David Levine's caricatures have been delighting readers of The New York Review of Books.

What is less widely recognised is his skill as a watercolour artist. In the first exhibition of his work in Britain, at the Ashmolean Museum, Oxford, until January 3, caricatures are accompanied by watercolours of Coney Island Beach and the New York garment district. The deft line of his pen and ink drawings gives way to equally economic pools of colour.

Sometimes swingeing, even surprisingly benign, Levine is rarely predictable. The anthropologist's lens is turned revengefully on anthropologist Margaret Mead, breasts bared like a tribeswoman. Oscar Wilde is portrayed fists raised as if to fight (Queensberry rules?) while puckering his bee-stung lips in a kiss. Kafka is given a beetle hand.

Kissinger is held up to ridicule as a corpulent Atlas supporting the globe; his glasses oversize, his genitalia tiny ("locker-room humour," explained the artist). While many of Levine's allusions may be lost on an English audience, there is no mistaking his view of Andy Warhol, drawn Walt Disney-style as Dopey with a camera, or of Nixon (above).

Susan Moore

New London Choir/St John's, Smith Square

Max Loppert

Britten's astonishing Opus 3 - the choral variations *A Boy was Born* - formed the climax of Tuesday's concert by the New London Chamber Choir under James Wood. This perennially fresh work, a tour de force of youthful daring, inventive imagination, and structural mastery, is surely the first fully-fledged Britten masterpiece: it may start off from a familiar musical environment (traditional carols, organ-loft harmonies) but it reaches into a wholly new world of contrasted and balanced choral textures - previously unimaginable, still exhilaratingly "modern".

A Boy was Born remains, even after all the later developments and technical complications in 20th century choral writing have been catalogued, a remarkably taxing assignment. Mr Wood's group, properly stiffened by a contingent of boys' voices from the St Paul's Cathedral Choir (itself boasting a beautiful solo treble voice in the third variation), showed commendable enthusiasm for the music, and a good deal of skill in coping with the rhythmic ingenuities of the faster movements. But intonation was not imperturbable, and in particular the shifting, swaying modal perspectives of the "Three Kings" variation shifted and swayed rather more widely than the composer intended. (Intonational uncertainties had been a much more persistent hazard in a group of Purcell anthems and motets earlier in the evening; the bounce and colourful invention of this wonderful music was constantly undermined, particularly by the group of solo voices.)

Nevertheless, it was good that Britten was revived; and good that the New London Chamber Choir continue to persevere with the new, as well as the older, British choral music. Mark-Anthony Turnage's *One Hand in Brooklyn Heights*, receiving here its first complete performance, is a crowded, busy, compellingly picturesque translation into modern musical images of poetry by Steven Berkoff - a long, steamy, hellish vision of modern New York to which the young English composer has responded with relish and bold detail. The two choirs, each eight strong, sing, chatter, and interlock their lines with moments of physical gestures; the first impression is of a ripely pungent dramatic vision which one would like to reinforce with further hearings.

Arts guide

November 13-19

Exhibitions

PARIS

Five Centuries of Spanish Art. An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. Both exhibitions are closed on Mondays and both end on Jan 3.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. Grand Palais. Ends Jan 4.

Landscape in the Flemish and Dutch Schools. The Brueghel Dynasty, the Bredael Brothers and Charles Beschey. Galerie d'Art Saint-Honore, 267 Rue Saint-Honore (42601503). Ends Dec 4.

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. The startling 'applied vorticism' of marine dazzle painting developed in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6.

Art Institate. 48 key Impressionist and Post-Impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam Rijksmuseum. A sweeping view of 17th-century Dutch landscape painting. Ends Jan 3.

Rotterdam Boymans-Van Beuningen Museum. From Ingres to Cezanne presents a rich choice from the museum's large collection of 19th century French drawings. Ends Nov 29.

Leiden Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissent ever since it came into the nation's hands more than 130 years ago.

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst shows sculpture from East Germany. Nov 5 to Jan 3. Mannheim Stadtische Kunsthalle from Jan 23 to Feb 21.

Hildesheim, Roemer- und Pfelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America. Ends Nov 29.

Berlin Galerie im Rathaus Tempelhof, Tempelhoferdamm 165. Gunter Gauss paintings, drawings, etchings, lithographs and sculpture - a 150 work retrospective celebrating his 60th birthday and covering 1957 to 1987. Ends Nov 20.

Baden-Baden Kunsthalle Lichtentaler Allee 8a. Carlo Carra: The first German retrospective of the Italian artist who was one of the initiators of Futurism. Ends Dec 6.

ITALY

Rome Palazzo Venezia. Bice Lazzary (1900-1961). 150 works in oil, pastel and acrylic by one of the first Italian artists to abandon figurative for abstract art. Ends Nov 22.

Rome Calcografia Nazionale (Via dela Stamperia 6). Towards Utopia is a virtuoso collection of photographs of Hungary in the years between the wars. Ends Nov 30.

SPAIN

Madrid. Mark Rothko 1903-1970 includes 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century. Ends Jan 17.

Center for African Art. Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller. Ends Jan 3.

Jan Kreugler Gallery. This new gallery is inaugurated with 60 Cubist works by Picasso. Ends Dec 10. 41 E. 57th, 6th floor.

WASHINGTON

National Gallery. A Century of Modern Sculputre, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Japanese Ink Painting. A large exhibition of important paintings from 15th to 19th centuries gives an excellent overview of the japanising of Chinese ink monochrome painting styles. Tokyo National Museum, Ueno Park, Ends Nov 23.

Saleroom/Antony Thorncroft

Big names show caution

The art market is in a very febrile state at the moment. On the surface Sotheby's sale of British paintings covering the 1500 to 1850 period was of sound but not outstanding quality. It should have performed quite well. In the event it was almost 50 per cent unsold, managing a total of £1,128,930.

The dealers were the problem. The big names - the Agnews, the Leggatts, the Ackermanns - usually buy heavily at these sales but yesterday they were contenting themselves with bidding on just one or two paintings. Obviously they are being cautious, and waiting to see whether a recession threatens and impoverishes their potential buyers.

There was a long list of major casualties, starting with an important family portrait by Arthur Devis, who has recently been rediscovered. An optimistic top estimate of £400,000 was put on his immortalisation of the family of Thomas Lister of Clitheroe, Yorkshire, but it was unsold at £200,000. A Reynolds portrait of fifteen year old Master Thomas Rumbold, which went for a healthy £13,000 in 1927, was bought in at just £65,000 yesterday, showing a sharp drop in commercial approval. The major Stubbs also failed to sell. "A chestnut hunter being held by a groom, in a river landscape" went for £37,000 in 1968; and for £60,000 at the Dick auction of 1975. But yesterday the best offer was £100,000, suggesting that sporting pictures are out of favour. A Ben Marshall was also a failure, at £90,000.

There were successes. A view of the horse fair at Old Smithfield Market, recorded in 1824, by the Swiss born artist Jacques Laurent Agasse was on target at £242,000, to the London dealer Fitzgerald. It was sold by a Swiss family. A previoulsy unknown landscape by Francis Danby depicting children by a brook went for £39,600, comfortably above estimate. It probably depicts the banks of the River Frome and was painted about 1822. "The Battle of Trafalgar," at around one in the afternoon, by Thomas Butterworth, showing the Victory breaking the line and engaging two enemy shops, sold at the bottom of its estimate at £30,800, and the Heim Gallery of London paid £28,600 for a set of four pastoral scenes with rustic lovers, attributed "English School, circa 1750.

A charming portrait of the critic John Ruskin as a child, dressed in a frock at the age of three, was bought by Leggatt on behalf of the National Portrait Gallery for £25,300. It was by James Nortcote. Portraits of Ruskin, at any age, are very rare.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Thursday November 19 1987

Central role of Egypt

JOURNALISTS are often too quick with the adjective "historic" but they were fairly safe in applying it, in November 1977, to the first visit to Israel of an Arab head of state. Ten years later it can be said that history has ratified the verdict.

Not that all the hopes raised by Sadat's visit have been realised, or the programme he set out in his speech to the Knesset anything like fully implemented. On the contrary, some of the worst fears of Sadat's Arab critics have come true.

"I did not come to you with a view to concluding a separate agreement between Egypt and Israel", Sadat said, but a separate peace treaty was what eventually came out and it has neither been emulated by any other Arab state nor led to a settlement of the Palestinian problem. Instead it left Israel a virtually free hand to invade Lebanon, with terribly destructive consequences, in 1982.

To what extent that was the inevitable outcome and to what extent it was made inevitable by the unimaginative way in which other Arab leaders responded will no doubt be debated by historians for generations hence but what cannot be denied is that Sadat's initiative fundamentally and irreversibly altered the terms of the Arab-Israeli equation. The idea of a peace treaty and full diplomatic relations between Israel and an Arab state will never again be unthinkable, because it has happened.

Political decision

Sadat may have paid for it with his life but his achievement did not die with him. The peace treaty remains and, even though the early enthusiasm has long since faded, there is little sign of serious pressure to renege on it. Indeed it has just received a back-handed but significant consecration, as the majority of Arab states, including Iraq and Saudi Arabia, have restored full diplomatic relations with Egypt.

It was to protest against the peace treaty that all the Arab states except Oman broke relations in 1979. At the same time Egypt's membership of the Arab League was suspended but no political decision could alter Egypt's central position in the Arab world - geographical, demographic, cultural - which indeed has been strengthened in recent years by the migration of millions of its citizens to work in Arab oil-producing states.

The other Arab states lacked the power to coerce Egypt into abandoning a policy on which it had decided, and over time the majority of them have found - as Sadat predicted - that they need Egypt more than Egypt needs them.

The Iran-Iraq war has been the main catalyst, at once stymying Iraq's pretension to usurp the Egyptian role as Arab leader and making almost all the states of the Arab east - Iraq itself included - feel acutely the need for Egyptian political and military support against the revolutionary menace of Iran.

Economic problems

Only President Assad of Syria, much feared but little loved by other Arabs, still refuses to accord even an implicit and retrospective endorsement to Sadat's "betrayal." He will not allow Egypt's readmission to the Arab League, nor himself restore relations with Cairo but his economic troubles at home and his political ones in Lebanon have so weakened him that at last week's summit he had to accept a communique explicitly permitting other Arab states to do so.

The irony is that all this has happened at a time when Egypt's own economic problems are as acute as ever, and her dependence on the United States - also the fruit of Sadat's policies - as embarrassing as ever, given the patent lack of interest of US policy-makers in any further attempt to deliver a Palestinian settlement, which alone could make peace with Israel a matter of pride rather than shame and an element of strength rather than weakness for President Mubarak's regime.

The West, too, needs to learn the lesson which the Arabs have learnt - that Egypt is too important a country in the Middle East to be ignored.

As Dr Lillian Craig Harris points out, in a Chatham House paper on Egypt to be published shortly: "There is only one Arab country which has made peace with Israel; only one state which incorporates 40 per cent of the Arabs; only one country on the crossroads between Africa, Asia and Europe".

Competition in electricity

IN THE debate about the privatisation of Britain's electricity industry, most of the attention has been focussed on the size and dominance of the Central Electricity Generating Board. The case for splitting the CEGB into two or more competing utilities, and for ending its control over the national transmission grid, has been strongly put. Government ministers are known to be critical of what they see as a producer-dominated, cost-plus mentality in the CEGB, and the absence of pressure on it to cut construction and operating costs.

Yet it is possible to argue that the distribution end of the industry - which in England and Wales consists of the 12 area boards - offers an even bigger opportunity for injecting a pro-competitive spirit into the electricity business.

As Dr George Yarrow of Oxford University has recently shown, the fact that electricity distribution is a natural monopoly does not mean that the boards cannot compete against each other in such areas as technical innovation and cost reduction.

What is known as yardstick competition requires that allowable prices for a given distribution company be conditioned on performance data from other distribution companies. If one company is able to reduce its costs faster than its rivals elsewhere it is allowed to retain part of the profitability benefits, even in the longer term. Cost-plus pricing is avoided, yet the benefits of performance improvements are passed through promptly to consumers.

Yardstick competition

If the area boards were privatised as individual units and regulated according to the principles of yardstick competition, they would have a strong incentive to seek out cheaper sources of power than was available from the CEGB. They could invest in their own generating capacity, or form consortia for the purpose, or negotiate long-term contracts with new entrants to the generating business.

Proposals along these lines were put forward yesterday by the area boards themselves in the form of a report commissioned from outside consultants. Quite apart from yardstick competition, the report points to the economic, social and political benefits from a decentralised industry and argues that the logistical problems of 12 separate flotations are not insuperable.

The authors reject the idea of merging the boards into three or four larger groups, or even into a single company, believing that even the smallest of them is big enough to exploit the necessary economies of scale in distribution.

Clearly the relationship between the newly-privatised boards and the generating and transmission side of the industry would be crucial. The key is the reduction of barriers for new entrants into generation.

Special pleading

It is understandable that each section of the industry should find good reasons for keeping its own operations intact after privatisation, while forcing change on aLL the others. Thus the area boards' argument for continuity - "if it ain't broke don't fix it" - would be pressed with even greater force by the CEGB.

In picking his way through the jungle of economic analysis and special pleading, Mr Cecil Parkinson, Energy Secretary, has to keep his eye firmly fixed on the long-term need for pro-competitive, market-based solutions.

It is not at all clear, for example, how he intends to reconcile a market-based approach with the Government's insistence, which Mr Parkinson restated this week, on a large and continuing investment in nuclear power. If nuclear power stations make economic sense, then it should be possible to finance and build them in the private sector; assurances about safety are not incompatible with private ownership.

But it appears that the Government wants nuclear power stations for strategic, non-commercial reasons. in order to ensure diversity of fuel sources, and is prepared to over-ride the market on this point. There have been suggestions of a government-owned nuclear power corporation or of subsidising private utilities to invest in nuclear power. Mr Parkinson suggested that week that an obligation might be imposed on privately owed utilities to maintain a certain proportion of nuclear power.

The difficulty with all these approaches is that of reconciling commercial and non-commercial goals. The nuclear issue could lead the government into the same conflict between incompatible objectives which has bedevilled some past privatisations.

David Marsh talks to West Germany's veteran Foreign Minister

Staying in step down the years

IN THE SOMEWHAT discordant orchestra making up the Bonn Government, Hans-Dietrich Genscher is the chief violinist who always likes to keep a few bars ahead of the conductor.

Fulfilling one role as West Germany's veteran Foreign Minister, another as principal power-broker on the domestic political stage, Mr Genscher has developed unique skills in playing to several audiences at once.

At the helm (though no longer chairman) of the liberal Free Democratic Party, the junior partner in the centre-right coalition, Mr Genscher was the main architect of the FDP's switch of coalitions in October 1982 which brought Chancellor Helmut Kohl to power.

That desertion of Mr Helmut Schmidt's Social Democratic Party (SPD) sent Mr Genscher's standing in the opinion polls spinning. Five years later, his popularity has revived with a vengeance, with 1987 likely to go down - for three interrelated reasons - as vintage Genscher.

Fighting down opposition from Mr Kohl's right-wing, which is worried about the Soviet Union's superior strength in conventional forces, he has championed the superpowers' soon-to-be-signed deal to scrap medium-range nuclear missiles. The West now more or less agrees with his call at the beginning of the year to take Mr Mikhail Gorbachev's reform efforts seriously.

The FDP has reaped electoral advantage both at national level and in a string of state polls. In January's general election it gained 2.1 points to win 9.1 per cent of the vote. Under the country's proportional voting system, this gave it a sizeable increase in power. But after the successes, the tests ahead will stretch even the elastic Mr Genscher to his limits.

West Germany takes over the European Community's presidency during the first half of 1988 and will bear the main responsibility for solving the Community's budgetary and agricultural crisis. Mr Genscher will have to do his best to allay foreign doubts about West Germany's capacity for policy leadership, magnified in the latest wave of international calls for Bonn to stimulate its economy.

In an interview over a lunch of soup and scrambled eggs in the Foreign Ministry last week, Mr Genscher's central message was geared towards the crucial EC summit in Copenhagen next month. This must be a success, he says. "The council meeting is taking place at about the same time as the US-Soviet summit. How significant it would be internationally if the two superpowers came to an agreement with forward-looking objectives, and, at the same time, Europe was not be in a position to solve its own internal problems, let alone make up its mind on what should happen in the future. Europe will regain popularity if we can demonstrate that we have perspectives for the future."

Trevor Humphries

Hans-Dietrich Genscher: "the coalition remains right and necessary"

Mr Genscher talks like he eats - fast and methodical. An inveterate traveller with the cheerfully dishevelled look of a man used to living out of a suitcase, he has been to Iraq and Saudi Arabia this week after recent flying visits to Angola and Albania. As the Spartan menu indicates, he has slimmed a lot compared with the corpulent figure of a few years back. He swims every day, takes regular saunas and says he feels better than 10 years ago, when he was dogged by health problems.

He is up at 6am to read, according to aides, about 20 newspapers. Asked what he does in his spare time, he says he spent the previous weekend at home rearranging his books.

He needs all the energy he can muster. In Bonn, Mr Genscher weaves a subtle path through the shadowy, suspicious world of coalition politics. Every step is calculated to squeeze maximum tactical advantage from the FDP's slender electoral hold and its position as simultaneous partner and rival of Mr Kohl's Christian Democratic Union (CDU).

Characteristically, although he has taken no public stance on the issue, Mr Genscher has been making a strong behind-the-scenes bid this month to persuade Mr Gerhard Stoltenberg, the Finance Minister, to relax fiscal policy to counter the risk of an economic slowdown after the dollar's fall.

Abroad, deft footwork is also required. Mr Genscher, who has occupied a Bonn cabinet post since 1969 (a record in ministerial longevity for the federal republic), has held the foreign portfolio since 1974 - making him the longest-serving foreign minister among the major countries.

Like the FDP, the federal republic gives the appearance of strength, but is highly exposed. Mr Genscher insists that, because of both history and geography, West Germany needs to have "an absolutely reliable and calculable" axis of foreign policy.

"If I simply carried out foreign policy as part of party politics, I would have only 9 or 10 per cent of the electorate behind me. That would be too little: I could not have carried on the job for so long. It is important that this policy finds broad support with the other Government partner, and with the opposition."

During his 13 years in office under Chancellors Schmidt and Kohl, West Germany has indeed become a more reliable and sure-footed partner for both East and West. Yet, reflecting the post-war division of the nation, foreign policy in the federal republic cannot fail to be a great deal more complicated, and thus more prone to misunderstandings and mistrust in both East and West, than in other countries.

Mr Genscher knows the complexities first-hand. Born 60 years ago near Halle in what is now East Germany (where he has relatives whom he visits every year), Mr Genscher spent the first post-war years under the Communists before crossing to the West in 1952.

"The most important point about post-war German politics is that we have learnt from history to look at our fate as part of Europe as a whole. What we do as Germans influences Europe much more compared with other countries, and what happens in Europe influences us much more."

The reform process in the Soviet Union represents a chance the West cannot let go by, he says. "I believe that our democratic community in Europe has to show dynamic development to become a more relevant partner to accompany these changes. Otherwise East-West issues will be decided mainly by the relationship between Moscow and Washington. That cannot be sensible."

Mr Genscher is well aware of the political pressures that will build up in West Germany, on both left and right, unless the superpowers' missile agreement is followed by further disarmament steps.

"First we would like negotiations over chemical weapons to be brought to a successful conclusion; and we want intensive negotiations over the conventional balance."

He points out that West Germany carries the main burden of conventional defence throughout the alliance. "Britain has no conscription, the US has no conscription, and therefore they have no capability to mobilise reserve forces. Therefore it is self-evident that we expect our allies to honour the undertaking to start talks with the East over conventional stability."

His strongest warning centres on the need to start talks soon on reducing the Soviet superiority in shorter-range missiles of under 500 km.

Referring to the agreement by Nato foreign ministers at Reykjavik in June to move towards negotiated reductions in short-range arsenals, Mr Genscher says: "I cannot believe that there can be any allied government which prefers that the Eastern side should have more than 600 (short-range) Scud missiles and that we should not demand from the East that this superiority be reduced."

The FDP's stance on disarmament, as well as on other matters like law and order, is sometimes criticised as opportunistic by its coalition partners. The most virulent attacks have come from the Bavarian conservatives led by Mr Franz Josef Strauss, the Bavarian Prime Minister, who was foiled, after the FDP's success in last January's elections, in his long-standing bid to take over Mr Genscher's job.

Mr Genscher flatly rejects the criticism. "We have to take the most difficult decisions. We were for deployment of the cruise and Pershing missiles - that was no easy matter. And the change of government in 1982 was not easy either."

Could the FDP switch sides again in the future towards the SPD? He says: "I brought about this Government and I believe it remains right and necessary."

Before dashing off from the lunch table, Mr Genscher says that how long he remains in the job is "in the hands of the voters and, as far as I am concerned, in the hands of God." A final question - his feelings towards Mr Strauss. Mr Genscher cannot resist a smile. "As I enjoy the job so much, I can understand that he would like it too."

THURSDAY BOOK REVIEW

Inside Japan

Wealth, Work and Power in the New Japanese Empire

By Peter Tasker

Sidgwick & Jackson, £13.95

IS IT REALLY necessary to read another book about Japan? Surely everyone knows that Japan is now the world's largest creditor nation, that it makes 90 per cent of the world's VTRs and that its taxi-drivers wear white gloves.

Those who have given even half a glance to the barrage of television shows and special supplements on Japan must know that the Japanese enjoy one of the lowest crime rates in the developed world, have surpassed the US in terms of GNP on a per capita basis and are still moved to tears by the cherry blossoms in the spring. Is there a need to know more? The answer is, simply, yes. Our impressions of a country nearly always lag behind reality, despite the amount of reading and watching we can do. Lingering memories of the last war and Japan's long distance from Europe help make the gap in the case of Japan wider still.

But more importantly, Japan is now going through one of its periodic upheavals, one which is radically changing the face and shape of the country. The importance of scrutinising this change cannot be overestimated. What happens in Japan, increasingly, affects us all.

The argument against reading more about Japan has always been that it is too complicated, too bizarre or too boring. An American newspaper editor once described the classic Japanese political story as containing two sentences: A man with an unpronouncable name has just become prime minister. The country's policies, both domestic and foreign, will remain unchanged.

Even economic and business news often merits the glazed-eye treatment just because the yen figures have so many zeroes that the numbers become mind-numbingly difficult to translate into the reader's currency.

These and other troubles have not daunted the latest author to attempt a dissection on Japan. Peter Tasker, general manager of Japanese research at Kleinwort Benson International in Tokyo, has attempted the ambitious task of filleting Japan's social, economic and political structure for the uninitiated. Unlike the work of Chalmers Johnson (Miti and the Japanese Economic Miracle) or that of Ronald Dore, Tasker does not break a great deal of new ground. But this is a very timely book, one which catches Japan in mid-air as it shifts from a single-minded focus on creating and supporting a few exporting champions to a more balanced and more interesting society.

Inside Japan is also not a scholarly book and at times it feels as if Tasker is playing a little loose with the facts. But the author writes with relish about his subject, describing Japan from a Western point of view without condescending, idolising or reaching for conspiracy theories. Tasker is a better writer than David Halberstam, author of The Reckoning, a skilful account of the history of Nissan and Ford. But Tasker's book probably has a shorter shelf-life and, as a result, should be consumed quickly to enjoy its full flavour.

The author is strongest on Japanese politics, a notoriously difficult subject which can tongue-tie the most loquacious of commentators on Japan. Curiously, however, the book is weakest on the financial sector, the very business in which Tasker works. Tokyo's stock market, with its skyscraper price/earnings ratios, is a notoriously manipulated market. Tasker enjoys a ringside seat at this carnival, but barely makes a mention of how it works. Nor does he tell us what makes the world's biggest fund managers tick.

Inside Japan does go into delightful detail on modern Japanese politics, the Japanese monarchy and the media. He also presents a clear picture of the current turmoil over tax and agricultural reform in Japan. It presents fact and opinion in an entertaining manner without making generalisations or sweeping predictions.

Instead, the book poses questions about the future of Japan. The most interesting of these is: how will the Japanese change as their society and economy becomes more like the rest of the world? Will they still be so dedicated? Work so hard? Be so successful? The implied answer seems to be yes. Work is still central to the Japanese way of life. The ability to cope with the changes wrought by the appreciation of the yen make the Japanese even more capable of expanding and diversifying their exports, increasing their production and assets overseas, saving less and spending more.

Tasker's book is an easy primer on how and why this will happen, with a few let-out clauses of how things could go wrong. But basically, he strongly believes that we have to know more about Japan. In his epilogue, he states: "Over the coming decades more and more people will find themselves striving to please Japanese clients, turning out products to Japanese specifications, taking orders from Japanese bosses. Local companies and properties, indeed whole tracts of the economic landspace, will pass into Japanese ownership.

"The delicate nuances of the Japanese defence debate will be recognised as having decisive influence in the global balance of power...The influence of Japanese culture will follow, not immediately to the richer countries, but first to the peoples searching most eagerly for models of success." Much of this, of course, is already happening. That gives all the more reason to keep reading the latest book on Japan.

Carla Rapoport

Men and Matters

Union leader in limbo

Few newly appointed trade union leaders find their first annual conference discussing proposals to abolish the union or, failing that, to alter its constitution so that it does not hold any more annual conferences. But such was the experience of Margaret Platt, of the Clearing Bank Union, yesterday.

She began to get a flavour of the sort of day it was going to be when she fell off the conference platform before the start of the debate.

Platt, who twisted her ankle in the tumble, took up her post at the CBU in May and found her first, and probably last, annual conference a lively experience as representatives - eventually, at the fifth attempt, voted to wind up the union.

The 106,000 strong CBU - which comprises the independent staff unions of Lloyds, Barclays and NatWest Banks - has had its future put in doubt by a decision of the Lloyds' body to withdraw. Debates had an appropriately apocalyptic tone at the conference in Birmingham.

Platt, formerly deputy general secretary of the IPCS civil servants' union, confessed wryly that the rapid collapse of the CBU during her brief tenure might constitute some sort of a record. "It is not the sort of record I would like to wish on anyone else," she said.

Granada seat

Mid-bid boardroom changes are not the most commonplace occurrences. But Derek Lewis - currently the 41-year-old finance director of TV and leisure group, Granada, but about to step into the managing director's seat - seems to attract pioneering roles. He was, after all, one of the inaugural students at the London Business School and a member of its first masters programme.

More recently, having taken on responsibility for Granada's "strategy and planning" after joining the company in 1984, he can claim a large part in bravely launching the first major take-over bid in the UK since Black Monday. The £222m offer by Granada for its rival, Electronic Rentals, puts the TV and leisure group on the aggressive end of a contested bid for first time. "It certainly feels better than being on the receiving end," smiles Lewis - no doubt in rueful remembrance of Granada's successful defensive efforts against Rank Organisation a year ago.

With 14 years at Ford Motor Company to his credit, followed by two at Imperial Group before Granada, Lewis still ponders what took him - originally a natural sciences undergraduate at Cambridge - into business. Somewhere, he remembers, remuneration did feature. But he confesses cheerfully, like so many executives at present, that the market slump has left half his share options worthless.

Pass mark

Football means a lot on North American campuses, even at bookworm Ivy League colleges and at Columbia, the wheezy Manhattan university which has not won a game for four years.

But as the Columbia Lions limp out to lose their 41st game in a row this Saturday, help is at hand. The university has been fashioning a secret weapon: several hulking young men who are devastating all-comers in freshmen games.

Back in 1985, when the Lions were down a mere 21 games without a win, Columbia quietly did a deal with its seven *confreres* in the Ivy League. Without telling a soul outside, the League allowed Columbia to drop the standard entrance pass mark 5 per cent, or roughly 20 per cent below the average score at Columbia, to allow some athletes in and give New York a chance.

Columbia has recruited 11 football players under the 1985 agreement and its freshman team was undefeated this autumn for the first time in the university's history. The other colleges are understood to be reconsidering their generosity.

Tokyo bound

Nomura. Securities may have described its reshuffle of international management this week as a "non-event", but the news that Hiroshi Toda is returning to Tokyo has certainly made an impact on the London Eurobond syndication scene.

"He was the Bob Hoskins of the new issues market: tough as old boots with a heart of gold," commented one fellow-syndicate manager yesterday. "He will be sadly missed."

Toda has been called back to Tokyo to head Nomura's Japanese government bond dealing department - a meteoric career progression for a 36-year old in a Japanese firm.

But then during his time as Eurobond syndicate manager, Toda spearheaded Nomura's rise up the closely-watched Eurobond new issue tables from 12th in mid-1985 to number one by a wide margin throughout the first three quarters of this year.

During this time, "Toda-san" was renowned for a combination of wit, informality and occasional abrasiveness that was not only unusual in the context of the Japanese style of doing business but marked him out as one of the most colourful members of the syndications community.

He cultivated a reputation as "the only syndicate manager who lives in Hendon not in Chelsea": an unavoidable fate given Japanese salary scales, dictated by rank rather than performance.

Toda is certainly going out with a bang as he recently lead-managed, amidst the heat of the stockmarket crash, the biggest Euroyen issue yet seen: a Y300bn deal for Italy.

Now Nomura must be hoping that Toda, who earlier in his career was thought by some to be the best yen bond salesman ever, will be able to apply his magic touch as effectively back home as he has done in London.

Bet on it

Would the new bred of small time but high risk shareholders be just as happy betting on Jimmy Boy in the 2.15 at Newmarket.

The answer will, perhaps, be found in a new study launched by Danny Saunders, a psychologist at the Polytechnic of Wales. He hopes to find out what makes the investors who first discovered the joys of speculation under Thatcherism tick. Is it profit or the gambler's thrill? Volunteers please get in touch

Saunders, who first thought up the project when studying the behaviour of compulsive gamblers in betting shops, thinks there maybe parallels between the race track and the City; buying a high risk share does not give you the sense of immediate euphoria that betting on a horse can give you. But such speculation could be "gambling in slow motion", he says.

He believes that could help explain the apparently irrational behaviour of those who bought shares in the BP flotation after the crash. Perhaps they did it for a thrill, not for money.

In their place

Has Mrs Thatcher at last found the appropriate put-down for those cocky Italians for ever celebrating the claim that the Italian economy has overtaken the British?

Asked for her opinion about "Il sorpasso", the Prime Minister told an interviewer from La Repubblica newspaper: "If Italy has grown, I am happy. Italy could then become the second major contributor to the European Community budget and relieve Britain of the responsibility."

Observer

ECONOMIC VIEWPOINT

Undoing conventional wisdom

By Samuel Brittan

WHICH countries have recently been experiencing the most rapid increase in labour costs per unit of output in manufacturing and which the slowest?

The obvious answers are wrong. For at the top of the league comes West Germany with 4 to 4½ per cent per annum. Right at the bottom comes the US with an actual fall in labour costs. The UK is smack in between with labour costs creeping up at 1 or 2 per cent.

Japan is much more difficult to categorise. In 1986 labour costs were rising by 4 per cent, as fast as in Germany. But by the first quarter of 1987 the rate of increase had fallen to zero and might actually now be negative. This would be in keeping with all the other evidence about how well the Japanese economy has managed to adjust to the rising yen.

What is the wider moral of the table, which is in local currency not adjusted for exchange rate changes? Manufacturing labour costs are only one element in the total price level. So the rise in German manufacturing costs cannot be used to establish the more alarmist views about inflationary takeoff held in some sections of the Bundesbank.

But manufacturing costs are of particular importance in international trade.

It is striking that for both 1986 as a whole, and 1987 to date, British manufacturing costs have risen less than German ones. Thus the aim of a stable sterling exchange rate against the D-Mark is neither overambitious nor otherwise doomed to failure.

Of course, the causation goes both ways. For if British industry gets the message that cost increases will not be accommodated by sterling depreciation against the D-Mark, such increases are much more likely to be contained by some combination of wage moderation and productivity improvement.

It is a little more difficult to know what to say of the US figures. It may surprise upholders of the conventional wisdom that US labour costs in manufacturing are rising much less than German and - at least as far as the latest data go - less than Japanese costs.

Even if we take the whole period after 1979 - since when the dollar has soared and then returned to its original levels - US manufacturing labour costs have risen less than German and only slightly more than Japanese ones.

I would not draw any strong conclusions from these trends about the likely movement of the US balance of payments or the appropriate value of the dollar. As American imports are now over 50 per cent higher than American exports, an abnormally rapid growth of exports will be required to narrow the payments gap.

More important has been the scrapping - or switching to other countries - of US manufacturing capacity during the period of dollar overvalution. All of which suggests that to make the dollar depreciation that has already taken place fully effective, there must be curbs on US domestic demand to release resources for exports or import substitution and to make room for domestic investment in new capacity.

But what the foreign exchange market pessimists fail to appreciate is that a major curb to domestic demand has already been administered in the shape of the stock market crash. This has been estimated by David Hale of Kemper, Chicago, as equivalent to a $50bn US fiscal package - on top of which there is the improving trend of the US Budget itself, about which I wrote last week, without taking into account any cuts over and above Gramm-Rudman.

Once the dollar has stabilised and appropriate domestic policies are in place, the rest of the world will be quite surprised how quickly the US current account turns round.

Hence Mrs. Thatcher's call for countervailing expansionary action by surplus countries such as Japan and Germany. The problem is that the international economic establishment has cried wolf so often and so prematurely over the need to replace the US budget and trade deficits with some other stimulus to world activity, that now the wolf is really there the householders are reluctant to act.

But I am afraid the Prime Minister's strictures on a country like Japan "entrenching a massive and permanent trade balance" are misplaced.

What is wrong is that the Japanese surplus is syphoned off to finance US government spending. Once this diversion ceases, the Japanese surplus will be available to finance investment in the developing countries - and the resulting increase in aggregate world savings should reduce real interest rates everywhere.

Incidentally, I did not in any way defend the US budget deficit, as one or two enraged academic readers of last week's Viewpoint supposed without bothering with what I actually wrote. But I am still of the opinion that although the high US budget deficit is extremely harmful in the light of US savings and investment behaviour, it did not trigger the stock market crash.

The events immediately preceding the crash were, first the publication of the "bad" September trade figures and, second, the slanging match between Washington and Frankfurt, in which Treasury Secretary James Baker seemed to be threatening an end to the Louvre Agreement and a free fall of the dollar. Thirdly, the more important preceding trend was the widening, *from* the side of rising interest rates, of the historically high gap between bond and equity yields.

Labour cost per unit of output in manufacturing

annual percentage increases

	1980	81	82	83	84	85	86	1987 to date
UK	22	9	4	0	3	6	4	1
W.Germany	8	5	4	-1	-1	0	4	4½
Japan	3	6	5	2	-5	2	4	0
US	10	7	7	-3	-2	2	0	-1½

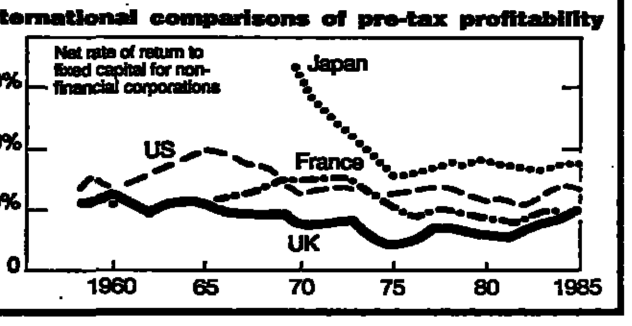
In local currency, not adjusted for exchange rate changes — Source: IMF, Dept of Employment

Net external assets — Excluding gold

End-years	1982	83	84	85	1986
US					
$ billions	126	77	-7	-119	-275
Percent of GDP	4	2	—	-3	-7
Percent of imports*	36	21	-1	-26	-55
Japan					
$ billions	24	37	74	129	179
Percent of GDP	2	3	6	10	9
Percent of imports*	14	23	42	76	105
W.Germany					
$ billions	30	30	36	61	114
Percent of GDP	5	5	6	10	11
Percent of imports*	15	15	19	31	39
UK					
$ billions	62	75	89	112	186
Percent of GDP	13	16	21	25	30
Percent of imports*	32	42	48	58	89

Source: Bank of England Bulletin, Nov. 1987 — * Gross imports of goods & services

International comparisons of pre-tax profitability



Where the oil went

REMEMBER all the fuss about squandering the proceeds of North Sea oil instead of investing them in British manufacturing?

In fact the series of payments surpluses incurred before North Sea oil prices fell and production began to dip, were invested overseas; and an extremely good return the UK has had from them.

At the end of 1986 net overseas assets amounted to £114bn or $186bn. UK net overseas assets have trebled in four years. They are now higher than those of any major country, including Japan and Germany. US net overseas assets are negative to the tune of $275bn.

The external surpluses were only the foundation of the increase in British overseas assets. Identified capital outflows were multiplied many times over by revaluation. These are mostly increases in stock market prices, but also include the effects of currency changes, above all the depreciation of the dollar.

The stock market crash is unlikely to have led to more than a levelling off in UK external assets, if only because equity prices have fallen back from a very high 1987 peak and are not much lower than at the end of 1986.

Net overseas portfolio investments amounted at the end of 1986 to £77bn. Net direct investments came to £46bn and would not have been much affected by the market crash. Official reserves (less foreign currency borrowing) came to £8bn and have since more than doubled.

Would the oil benefits have been better invested in the UK? If there had been no net overseas investment, there would have been no current account surplus because one is the mirror image of the other; and the real exchange rate would have been higher. This would have made the trading sector of the British economy, which includes most manufacturing industry, less competitive. Thus it is difficult to see that less overseas investment would have brought more domestic investment.

There is a hypothetical argument about whether the economy could have been run at a higher level of output and employment during the oil heyday. But this would not have been brought about simply by clamping down on overseas investment. That alone would probably have made things worse.

A less abstract approach is provided by the chart. Direct investment is a two-way process, as some overseas companies find profitable outlets in the UK, while some British companies find profitable outlets abroad.

But on balance DTI estimates suggest (a) that net rates of return have been higher overseas than in Britain, but (b) the gap has been narrowing.

If we take manufacturing alone - to exclude North Sea investment which is sensitive to oil prices - the UK net rate of return recovered from 3 per cent in 1981 to 9 per cent in 1985; nearly back to pre-1973 levels. Even if it has since risen further it is unlikely to be above the 15 to 16 per cent shown for the US and Germany.

The chart covers all non-financial corporations, including oil. Japan has lost its commanding lead of the early 1970s, but still enjoyed a 16 per cent rate of return in 1985 in such corporations, compared to Britain's 10 per cent.

The general conclusion is that British net overseas investment was at its highest when overseas returns were greatest. Now the differential is narrowing, net overseas investment has come to a halt, although there is still a positive outflow of the direct variety.

This nearly optimal result has been achieved not through wise government planning, but through the neglect of strident calls to "do something" about oil proceeds. Better even than doing nothing would have been to have handed over the Goverment's share directly to UK citizens as advocated ad nauseum in these columns.

JOE ROGALY

Mugged by reality

THERE IS A QUESTION you are asked soon after you arrive in Sydney: "What's the capital of Australia?" The answer: "About ten American dollars, mate". Take a sip at your schooner. There's more. "How do you contact a stockbroker?" The answer is preceded by a hearty swig. "Cut the rope."

You would expect a certain bitterness in a town in which the market fell further, when they were all plunging headlong downwards, than all the rest. What is unexpected is the apparent calm, almost a studied determination not to show signs of panic, that comes over everyone when they are talking seriously. There is, of course, the natural fascination with the evident discomfiture of certain "tall poppies," notably Mr Robert Holmes a Court, to whose Bell Group discussion turns within five minutes wherever you go. "I reckon the other entrepreneurs will just leave him there, turning slowly in the wind," is the most common assessment. Second to that is: "If he puts a foot wrong they'll have his behind out of his trousers in no time."

But it is far more common to say that the worst is over and that the fall was not so terrible when viewed against long-term trends. Sir Eric Neal, the recently-retired managing director of the Boral Group, who runs Sydney Council, points out that average p/e ratios had risen from a low of about 10 to a high of around 18 in the three years before the crash. They are still above 10 today. The market psyched itself up, it seems. "It is now about where it should be," he insists.

Sir Eric's erstwhile colleagues on the Business Council, Australia's club for chief executives, tend to agree, he says. Certainly the big names known abroad - Larry Adler, Alan Bond, Sir Peter Abeles, John Spalvins - are all reported to have been doing their best to talk the market up. Phrases like "never been better placed," and "good opportunities abound," and similar pearls have been showering down upon investors over the past week. If you ask around about the likely effect on spending and investing the answer, with a few caveats about the high price of imported goods, is less optimistic but far from apocalyptic.

There is also the excuse that it is illegal in Australia for companies to buy back their own shares. I was told more than once that if such "underpinning" had been possible, as it is in New York, the fall on the Sydney stock exchange would have been less steep and less far. (A bill to legalise buy-backs is being drafted.)

Perhaps such protestations are right. What is almost certainly misleading is the silence of the banks, which is booming out at an unprecedented volume. They are, of course, in the thrall of those to whom they over-lent. If there are to be calls for cash, or liquidations, they will come slowly, and with great reluctance. The myth of the all-wise Australian entrepreneur may be shattered in the process. There was much head-shaking from one broker when whisky-and-soda time came the other night. He showed great distress at recollections of unfortunates who a year or so ago, had, unlike himself, borrowed abroad at lower interest rates without taking the precaution of hedging against a fall in the Australian dollar.

Yet if there is no further fall in share prices it could be that the Australian business community is sensible to accept the crash in the markets with a certain degree of equanimity. The Labor government is doing what business considers to be at least some of the right things. It is keeping wage settlements down, promoting financial deregulation, even preparing for privatisation (albeit with some difficulty). This is a not-quite-Thatcherite programme in a country whose experience under Gough Whitlam led people to expect socialist measures from its Labor administrations. Such policies are easier to bring in during the threat of a recession. "Australia's trade unions are not really lemmings, because they always make a U-turn at the cliff's edge," is one way it is explained. Or to sum up the fall in both the currency and the stock market in the Sydney way, Australia has been "mugged by reality." That is regarded by some down here as a potentially salutary experience.

Letters to the Editor

Obvious with hindsight

From the Director of the Institute for Fiscal Studies

Sir, I do not often find myself in disagreement with Samuel Brittan (November 12), but he is surely wrong to suggest that the US Budget deficit is not the ultimate cause of the Wall Street crash. Mr Brittan has often - rightly - asserted that the budget deficit, by contributing to excess US domestic demand, has helped widen the trade deficit. And the trade deficit is surely the cause of the international loss of confidence in the dollar.

Increasing international reluctance to fund the persistent trade deficit was bound to lead eventually to a slowdown in the US. In the absence of spending cuts or tax increases aimed at reducing domestic demand (and hence the prospective trade deficit) the loss of confidence was bound to push US interest rates up and/or the dollar down. Higher interest rates are obviously deflationary, especially in the heavily-borrowed US. And the lesson of the 1970s was that inflation - a tax on wealth which pushes up saving rations - also reduces demand. The FT carried an article of mine in June which pointed out these recessionary risks.

What I did not foresee - and what seems so obvious with hindsight - is that the equity markets would anticipate these events. The sustained rise in equities had pushed yields to levels which could only be justified on the expectation of continued growth. When it became clear that a US slowdown was the only solution in sight to the trade deficit and dollar problems, growth expectations were revised sharply downwards and the equity markets - which are highly geared on growth - crashed. In consequence interest rates have been lowered, and the (necessary) deflation of US demand will come instead via the wealth effects of the crash.

Although this train of events began (*pace* Samuel Brittan) with the US budget deficit, it does *not* follow that cutting the deficit is now the right response. The markets have administered a dose of deflationary medicine and the recessionary forces needed to correct the trade deficit and restore confidence in the dollar are now in place. The only argument for piling on the agony with spending cuts or tax increases is that some visible official response may be needed to restore confidence. But if so, what is required is a cosmetic operation, not major surgery.

Bill Robinson,
The Institute for Fiscal Studies,
180/182 Tottenham Court Road, W1

Union membership made sense

From Dr J. Kelly.

Sir, In an article on November 6 Philip Bassett drew attention to an alleged confusion in the figures for trade union membership. He noted that just 26.8 per cent of the respondents in the *British Social Attitudes: 1987 Report* belonged to trade unions or staff associations, a figure so far below the normal estimates of union density (of between 37 per cent and 45 per cent) as to raise serious doubts about the official and widely used union membership figures. Philip Bassett has raised such doubts before (in Strike Free, and its revised edition of 1987), again using the *British Social Attitudes* data.

In fact there is no incompatibility whatever between the *Social Attitudes* findings and the official figures. The annual *Social Attitudes* surveys aim to construct a representative sample of the adult population of Great Britain, that is, all persons aged 18 or over. Since we have estimates of this population for each of the first three years of the surveys (1983-85, the years during which field work was conducted for the 1984, 1985 and 1986 *Reports*), we can then take the percentage of respondents in unions and multiply through to estimate the total trade union population in each of these years. For instance, in 1983 the survey reported 27 per cent of its respondents in unions or staff associations. The total adult population of Great Britain for that year was 41.025m. A simple multiplication produces the figure of 11.077m as the total trade union membership in Great Britain in 1983.

We can then compare estimates of total trade union membership from the *Social Attitudes* surveys with the comparable data based on trade union returns from the Certification Office Annual Reports. The figures (in thousands) are as follows; survey estimates first, and the official Certification Office figure in brackets:

1983: 11,077 (11,300, including an estimated figure for the NUM);
1984: 10,754 (11,064);
1985, 10,705 (10,819).

Within the margin of survey sampling error, the figures for each year are practically identical. Indeed, given the very different methods and data sources for the *Social Attitudes Reports* and the Certification Office Reports, the proximity of the two sets of results is remarkable.

When we add a third estimate of union membership, from the 1984 Workplace Industrial Relations Survey (WIR) the same conclusion emerges. According to Millward and Stevens (1986, Note 1, page 93), unpublished data from the 1984 *British Social Attitudes Survey* showed that union density in workplaces with more than 25 employees was 57 per cent. The WIRS estimate for the same population, and based on employer responses, was 58 per cent.

Dr J. Kelly,
London School of Economics and Political Science,
Houghton Street, WC2A 2AE.

Flexibility has its rewards

From Dr Michael Cross.

Sir, The recent report, Change at Work, by the TGWU Region 10 and the Northern College illustrates both the strength and weakness of flexibility deals (FT, November 9). It is also important to note that the potential for follow-up negotiations, once a flexibility deal is signed, is strongly influenced by the clarity of the rewards strategy adopted. In essence there are two basic rewards strategies: a once-off or phased increase in the base rate which buys the potential for flexibility; and building potential flexibility into an existing, a modified, or a new grading structure.

While both rewards strategies can equally effectively provide the basis upon which flexibility in working practices can be developed, the possibility for secondary bargaining exists when these two pay strategies are allowed to run in parallel without a clear purpose or direction.

Both purpose and direction are provided by having a clear understanding of the following factors (among others):
1) the nature and extent of flexibility required;
2) the detailed preparation of the organisation (allocation and control) structure and resources to manage and develop the proposed flexibilities;
3) a long term view on the role of individual and/or collective pay progression;
4) the clear linking of the negotiation, the content, and the implementation of the flexibility deal;
5) the origins of the need for the flexibility deal - ie, cost reduction versus quality improvement.

All too many supposed flexibility deals are simple demanning/contractor substitution/cost reduction exercises, and are not intended to change working practices. It is these flexibility deals, in particular, which allow repeated bargaining gains.

Finally, while attention is readily given to flexibility deals which command high prices (and risks), there are an increasing number of sites where flexibility has been achieved through a combined training/behaviour/organisation structure change strategy. These developments are rarely, if ever, reported by the industrial relations press, yet are probably better examples of progressive industrial relations than the "bought flexibility deals".

Michael Cross,
37 Balmain Close,
Grange Road,
Ealing, London W5.

The US deficit is quite different

From Mr R.A. Hammond-Chambers

Sir, While I have some sympathy with Paul Craig Roberts (November 11), it should be said that the rest of the world's deficits do not justify the US running one; it merely makes the current situation more precarious.

There is an important point not addressed in his article: it is the fact that as the largest economy in the world, as the world's banker and with its reserve currency role, the US is different from the rest of the world and must, for all our sakes, conduct sound economic, fiscal and monetary policies. It is not doing so, and by not doing so it is threatening the world's banking system in a way that other nations' deficits do not.

That problem must therefore be addressed (the others too). America, by virtue of its leadership role, makes this problem top priority, and if it is addressed in a sensible way (not easy to do without precipitating a depression), other nations will be forced to address their deficit problems and then we can look forward to soundly financed economic growth.

R. A. Hammond-Chambers,
Ivory & Sime,
1 Charlotte Square, Edinburgh

British Rail's listening line

From the Director, Network SouthEast

Sir, Mr Gillon clearly writes from the heart about the Waterloo and City line ("Commuter Complaints", November 14).

The trains are indeed 47 years old and are only the second generation to operate on the line. They have given loyal service but now fall far below customer expectations on this important gateway route to the City.

I am pleased to report that we have now been able to make provision for the complete renewal of the trains and the signalling system in two years time, in our 1989 budget. This will enable us to operate a far higher frequency of trains and to eliminate the tedious peak hour queues.

Chris Green,
Network SouthEast,
Euston House,
24 Eversholt Street, NW1

FINANCIAL TIMES

Thursday November 19 1987

Andrew Whitley in Jerusalem assesses the relationship between Israel and Egypt

Peace may wither on the vine

ASKED how they have changed over the past 10 years, most Israelis would reply: sadder, but wiser.

The peace with Egypt has lasted, despite the assassination of its principal author. But the incredulous euphoria at President Anwar Sadat's dramatic appearance before the Knesset in Jerusalem - exactly a decade ago today - has been replaced by disillusionment and cynicism at the relationship's failure to blossom.

As successive Israeli governments never fail to remind Cairo, few of the "normal" attributes of peace exist.

Excluding oil, bilateral trade remains a trickle: less than $10m in both directions last year. Tourism is a one-way flow: claustrophobic, curious Israelis pour into the only Arab country they can freely visit, while a few hundred Egyptians a year manage the return trip. Cajoled by the US, a few tender sprouts of joint scientific research have emerged.

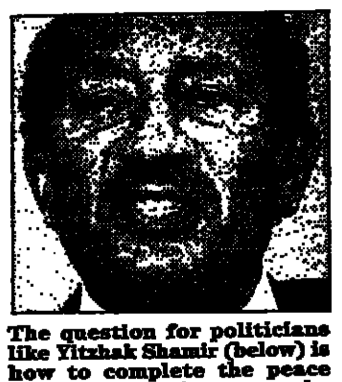
But these have been overshadowed by both sides' incessant wrangling over such matters as the disputed Taba enclave and the October 1985 killings in the Sinai of six picnicking Israelis.

"If we cannot return to our favourite spots in the Sinai without harassment, or worse, what was the point of a peace treaty with Egypt?" the man in the street in Tel Aviv and Ashkelon aggressively - and short-sightedly - often demands.

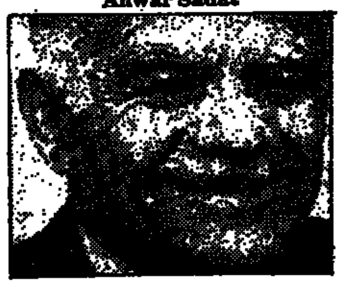
Short-sightedly because - as the military, if not always the politicians, recognise - the peace with Egypt has been an incomparable strategic asset to Israel.

With the Iran-Iraq war, it has left Israel militarily stronger in relation to its Arab adversaries than ever before in its 40-year existence.

Pall-bearers hold aloft the coffin of slain President Anwar Sadat.



The question for politicians like Yitzhak Shamir (below) is how to complete the peace process begun 10 years ago by Anwar Sadat



Incredulous euphoria at President Sadat's dramatic appearance before the Knesset, exactly a decade ago today, has been replaced by disillusionment and cynicism at the failure of the relationship between Israel and Egypt to blossom

How to complete the process begun by President Sadat, and broaden the peace to include Jordan, is the issue bedevilling Israeli politics.

As the Israeli Labour Alignment and its left-wing allies see it, a golden - perhaps unrepeatable - opportunity for a deal with King Hussein has presented itself. But, instead, time is being frittered away in a sterile internal debate, ostensibly over tactics.

But impatient doves like Mr Ezer Weizman, the former Defence Minister and an architect of the peace with Egypt, say the real reason politicians such as Prime Minister Yitzhak Shamir do everything to avoid an international peace conference is that they know the next step has to be the future of the occupied West Bank and Gaza Strip regions.

All might be well if the Jordanian monarch were to make the same sort of dramatic gesture as President Sadat. Vindicated in his intransigent stand, that provided Israel stands firm the Arabs will eventually turn up, Mr Shamir could then, like his Likud predecessor, Menachem Begin, triumphantly say: "You see, I told you so, he is coming to me!"

But King Hussein has no intention of following the example of his grandfather, King Abdullah, murdered by a Palestinian in Jerusalem. He will meet Israeli leaders, in secret, almost anywhere else. But not openly in Jerusalem. Thus, the argument returns to the need for an international conference.

What worries many thinking Israelis is that, left to itself, the peace with Egypt could simply wither on the vine.

There is the complacent feeling in Israel that for the foreseeable future Egypt cannot afford to go to war.

But that is also what the generals and politicians thought in October 1973, just before President Sadat launched his armies across the Suez Canal to give the Israelis the rudest shock of their lives.

Bitter taste of peace, Page 4

Failure to agree farm budget threatens EC summit

By Tim Dickson in Brussels

PREPARATIONS for next month's key summit of European Community heads of state received a major setback in Brussels yesterday when EC farm ministers unexpectedly adjourned their negotiations on new ways to control farm spending.

The meeting will reconvene in Brussels on Monday but, in the absence of any significant progress this week, diplomats and Community officials were last night pessimistic about the chances of an early agreement.

Firm decisions on the European Commission's proposals to cut back Community support to farmers when production targets are exceeded are being widely seen as an essential precondition of support from member states for the request by Mr Jacques Delors, Commission President, for a substantial increase in the EC's own resources.

That was why this week's meeting of the Farm Council was expected to turn into a marathon session, clearing the way for foreign ministers (who start their Council on Monday) to complete preparations of the summit agenda by this weekend.

Mr Waurits Toernaes, the Danish chairman of the council, appeared yesterday to succumb to French and West German pressure for a substantial "break" in the proceedings after earlier indicating his determination that the meeting should carry on for the rest of the week.

Mr Francois Guillaume, the French farm minister, is due to address the French assembly today on the forthcoming privatisation of Credit Agricole, the state-owned farm bank, while Mr Ignaz Kiechle, his West German counterpart, had a previous appointment last night with members of the European Parliament in Strasbourg. Both men were reported to be pursing a tough negoiating stance.

Yesterday's developments infuriated Mr John MacGregor, Britain's Agriculture Minister, who claimed that the Farm Council was "abdicating" its responsibility by going away for so long.

The discussions of the last three days have covered a wide range of products but the major stumbling block still appears to be the Commission's plan to contain the costs of EC cereals production.

Britain and the Netherlands are enthusiastically in favour of automatic price cuts once a production threshold has been exceeded, but some other member states, notably West Germany, were arguing that most of the emphasis should be put on the Commission's new plan for a so called "set aside" scheme under which farmers would be paid not to grow on a certain percentage of their land.

MEPs urge tougher curbs, Page 2

THE LEX COLUMN

BP meets its mystery buyer

If BP had known that Kuwait would become by far its largest shareholder with 10.1 per cent of the company, it might have argued less forcibly with the Government for a high percentage of its new shares to be destined for international markets. Instead of having a wide spread of foreign shareholders to mirror its own balance of assets, it has one large Middle East investor - and a competitor to boot - sitting at the top of its shareholder list.

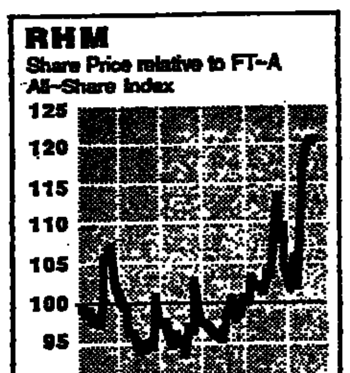
From BP's point of view, the real fear about the world's biggest share flop was that it would end up with a major shareholder not to its liking. T.Boone Pickens or the National Iranian Oil Company, for example, would have caused major consternation at Britannic House. By contrast the Kuwaiti stake does not appear hostile, and an uncharacteristic statement from the KIO should be taken at face value. As a long term investment, the move makes sense. The KIO spotted that with so much stock sloshing around the market this was a golden opportunity to acquire a major stake in one of the world's biggest oil companies without forcing up the price against it.

For the BP shareholders, the fact that 600m shares have been taken out of the market should remove some of the instability from the share price. Indeed, investors might even be pleasantly surprised if the Kuwaitis pushed for an oil price increase at next month's OPEC meeting.

Storehouse

If Storehouse manages to fight free of Benlox it will not be because it has demonstrated the worth of its designer store concept. A 3 per cent fall in profits to £35.9m shows that all the smart new product ranges in the world cannot repair the damage caused by one serious management error. The sheer scale of the mismanagement at Mothercare - the new fangled distribution system was so poorly conceived that half of the stores have had to make a costly shift back to the old set up - has dented the idea that a strong and elegant centre must benefit its parts.

Although Habitat, BhS and Richards are making respectable progress despite a difficult spring and summer for retailers, Mothercare will ensure that the immediate prospects for Storehouse are at best horizontal. However, Sir Terence can probably afford to persist in his scorn for Benlox and its cheeky offer,



which gets less attractive as the market falls. In any case, breaking up the company will not solve the group's existing problems, which the new management appears to be tackling - albeit belatedly. Yet with the shares at 263p the market evidently expects further takeover action - meaning that Storehouse will have to wait before signing up its badly needed new managing director.

Guinness

It is quite understandable that the current Guinness management should feel less than pleased about accepting any liability for its predecessors. However, after swallowing the indignity of having to re-open the Guinness file, the Takeover Panel is surely right to insist that the alleged breach of its most sacred principle - the equal treatment of all shareholders - should carry a hefty sanction.

Exactly how painful that sanction should be is open to complex arguments about the extent to which a cash offer 75p higher would have changed the behaviour of Distillers' shareholders. The market's decision to slice £125m off Guinness's market capitalisation yesterday is undoubtedly an over-reaction, especially given that the miserable underperformance of the shares over the past year has clearly been discounting some liability. It is nonetheless an understandable over-reaction given the uncertainties ahead, whatever the outcome of Guinness's legal action. By striking before the DTI, the Panel is hoping to restore some of its credibility as the primary defender of shareholders' rights. In moving ahead of the DTI it has forced Guinness into the courts - a course of action which the Panel is likely to face with increasing frequency.

Boots

Boots' first half figures are complicated by a change in the basis of accounting for overseas subsidiaries. Although there was an underlying profit increase of 15 per cent, the performance at the earnings per share level was unimpressive. Last year's Flint acquisition in the US probably chipped in upwards of £17m at the pre-tax level, which means that the rest of the businesses, on balance, did not do very well.

The losses of the group's overseas retailing operations increased to £4.3m and continue be a drain on management time. The French chain of beauty shops is selling less perfume; but the hope is that a rise in foreign tourists plus a better summer next year will remedy this problem, and the company seems intent on finally getting to grips with its Canadian operations. In the UK, the group appears to be having some success in shrugging off its rather staid retailing image. Boots The Chemists achieved real sales growth of 7.7 per cent and specialist retailing initiatives, such as Childrens World, are beginning to make their mark. The controversial Flint acquisition is living up to expectations with sales growth of 8 per cent and higher margins, but the company has still to demonstrate that it has the new products to catapult it into the big-time pharmaceutical league.

RHM

There can be few complaints about the recent earnings progression at RHM: the only worry is that it may run out of steam just when it really needs protection from Goodman Fielder or some other predator. The company will be hard pressed to match last year's 16 per cent earnings rise in the current year with a rising tax charge and interest bill. Against that, the full benefit of the Avana acquisition has yet to come, and RHM has minimal exposure to the US. Shareholders have been kept sweet with the better than expected dividend rise, but that also cuts Goodman Fielder's carrying costs. Although the crash should have made life more difficult for Goodman, the rearrangement of its Elders stake suggests it has suffered less damage than some of its fellow Antipodeans.

US set for new clash with Tokyo

BY IAN RODGER IN TOKYO

JAPAN and the US appear to be heading towards another major trade row over access for foreign civil engineering companies to big public works projects in Japan.

Mr Noboru Takeshita, the Japanese Prime Minister, is expected to tell Mr William Verity, the US Commerce Secretary who arrived in Tokyo yesterday for two days of trade talks, that Japan is unwilling to open its public works project market to foreign bidders.

According to reports from Washington, Mr Verity has come to Tokyo determined to make some progress towards opening up the Japanese construction market. If he does not, there are indications that the US Government would take retaliatory action against Japan.

This latest row developed early this month when the two sides settled their long-running dispute over access for foreign construction companies to the Y1,000bn ($7.4bn) Kansai international airport project near Osaka.

In settling that dispute, the Japanese agreed to open the project to international bidding and made several moves to make the bidding process more open.

However, to the annoyance of the US side, the Japanese also made clear that these concessions would apply only to private sector contracts, and not to the Government's own public works projects.

The Kansai airport project fitted into the private sector because, even though funded with Government money, it was incorporated as a limited company.

Some US officials felt the Japanese were reneging on a promise made two months ago by Mr Yasuhiro Nakasone, the former Prime Minister, that the Kansai settlement should be a model for other large public works projects. The Japanese say that Mr Nakasone said only that it should be a model for private sector projects.

Japanese officials said yesterday there was no policy or principle of discrimination which precluded foreign contractors from bidding for public works contracts. However, they acknowledged that the Government's tender system, under which it decides who is qualified, effectively excludes foreign companies. One of the criteria for qualification is work experience in Japan. However, it is very difficult for a company to gain work experience without a Japanese licence, and it is impossible to get a licence without having experience in Japan.

Mr Takeshita will tell Mr Verity that Japan remains willing to continue discussions, either bilaterally with the US or in a bilateral forum, such as the new round of the General Agreement on Tariffs and Trade (Gatt) or the government procurement committee of the Organisation for Economic Co-operation and Development (OECD).

Market turbulence lifts Bankers Trust

BY ANATOLE KALETSKY IN NEW YORK

BANKERS TRUST, the eighth-largest US commercial bank, revealed yesterday that it had benefited dramatically from the worldwide turbulence of financial markets in the past two months. The bank said that its after-tax results for 1987 were likely to be between $150m and $175m better than the management had expected a few months ago.

The sharp improvement in performance was attributed to record profits from currency and securities trading since the beginning of October. During the summer, Bankers Trust predicted that it would suffer a net loss of between $150m and $200m for the year as a result of the $700m it added to its loss reserves for Third World loans.

The bank said yesterday that it now expected the year's results to come in somewhere between a net profit of $25m and a loss of $50m. The change in prospects was due to the unexpectedly large profits from its currency and securities trading in the past six weeks, a bank spokesman said.

Bankers Trust's announcement, which comes against the backdrop of numerous grim predictions of large losses from Wall Street's securities houses, may be a pointer to a sharp divergence in the fortunes of US commercial and investment banks in the wake of the stock market crash.

While Bankers Trust is the first commercial bank to indicate how it had fared after the crash, there is a strong possibility that its experience may have been mirrored in other large banking institutions.

While the US commercial banks are prohibited by law from engaging in domestic equity trading, many of them hold large bond portfolios. They would therefore have benefited from the big rally in bond prices which followed the stock market crash, without sharing in the losses suffered by the investment banks in the equity market.

Commercial banks also dominate the foreign exchange markets, where near-record volatility in the past few weeks has almost certainly been highly beneficial for business.

In another announcement which underlined the relatively stong position of US commercial banks after the crash, Citicorp, the biggest US bank, yesterday denied rumours that it was planning to cut its investment banking workforce.

Mr Michael Callen, head of the investment banking unit, said that the current worldwide staffing level of 11,000 would "remain substantially unchanged for 1988."

He specifically rejected reports of staff cuts as big as 20 per cent planned for London.

SAS shows interest in British airline

BY CLAY HARRIS IN LONDON AND SARA WEBB IN STOCKHOLM

SCANDINAVIAN AIRLINES System said yesterday it would consider taking an equity stake in British Caledonian Group if the troubled UK airline fails to reach agreement on a takeover by British Airways.

Mr Jan Carlzon, president and chief executive officer, said SAS - 50 per cent owned by the governments of Sweden, Norway, and Denmark and 50 per cent privately owned - was considering alternatives to a BA-BCal merger. A partial offer by SAS for BCal shares was one possibility.

The SAS statement is the first firm evidence that any other airline has been engaged in substantive talks with BCal since the UK Monopolies and Mergers Commission last week cleared BA to submit a new takeover bid.

BA and most City of London analysts had suggested that BCal's assertions that it was talking to potential foreign partners was only a ploy intended to squeeze a higher price out of BA in the wake of the stock market crash.

BCal confirmed yesterday that SAS was now the only serious contender if BA failed to come up with an acceptable offer by December 2. KLM, the Dutch airline, this week ruled itself out of a BCal rescue.

SAS could take an equity stake in BCal, an unquoted company, either through buying existing shares or subscribing new capital. The latter would directly benefit BCal, which expects to report a return to profit in the year which ended on October 31, but only through including the profits on the sale of its hotels.

In contrast, SAS has estimated that its pretax profit for the year, which ended on September 30, will at least match the record SKr1.51bn ($246.4m) achieved in 1985-86.

There remains considerable scepticism about whether a minority stake in BCal, intended to preserve its UK control and identity, would be sufficient to solve its financial problems.

SAS has said it is keen to strengthen its base by having a foot in a more central European market. This would enable it to offer passengers from Scandinavia flights to the central destination to link up with a strong intercontinental network.

Kuwait buys 10% of BP

Continued from Page 1

them with seven US and Canadian investment houses - who are widely believed to have been eager sellers of the stock in the after-market.

Peter Riddell, Political Editor, writes: Mr Nick Brown, a spokesman for the opposition Labour Party, said last night the Kuwaitis' stake in BP showed that the British Government's privatisation programme was moving the UK's top companies from British to foreign control in "an irresponsible and unpatriotic way."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	13	55	Malta	S	21	70	Rhodes	F	19	66
Algiers	-	-	-	Edinburgh	C	14	57	Manchester	F	12	54	Rio de J'o	-	-	-
Amsterdam	F	13	55	Faro	S	18	64	Manila	-	-	-	Rome	S	17	63
Athens	F	19	66	Florence	S	13	55	Melbourne	F	31	88	Salzburg	R	6	43
Bahrain	S	24	75	Frankfurt	C	11	52	Mexico City	-	-	-	San Francisco	C	14	57
Bangkok	S	34	93	Funchal	S	21	70	Miami	S	25	77	Seoul	R	11	52
Barcelona	S	17	63	Geneva	S	11	52	Milan	Fg	6	43	Singapore	F	33	91
Beirut	C	23	73	Gibraltar	F	17	63	Montreal	C	12	54	Stockholm	C	3	37
Belfast	R	13	55	Glasgow	R	13	55	Moscow	Sn	1	34	Strasbourg	C	10	50
Belgrade	C	7	45	Guernsey	S	13	55	Munich	C	7	45	Sydney	S	24	75
Berlin	Dr	9	48	Helsinki	R	2	36	Nairobi	F	25	77	Taipei	-	-	-
Biarritz	S	9	48	H. Kong	C	25	77	Naples	F	16	61	Tangier	F	20	68
Bombay	F	30	86	Innsbruck	R	5	41	Nassau	-	-	-	Tel Aviv	S	25	77
Bordeaux	S	11	52	Inverness	R	13	55	New Delhi	S	27	81	Tenerife	-	-	-
Brussels	C	12	54	Islamabad	-	-	-	New York	C	17	63	Tokyo	S	16	61
Budapest	S	11	52	Istanbul	C	13	55	Nice	S	19	66	Toronto	C	8	46
B. Aires	R	32	90	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	C	19	66
Cairo	S	25	77	Jersey	C	13	55	Oporto	S	18	64	Valencia	S	18	64
Cape Town	F	21	70	Jo'burg	S	26	79	Oslo	F	3	37	Venice	S	10	50
Caracas	R	28	82	Lima	-	-	-	Paris	F	13	55	Vienna	C	9	48
Casablanca	S	17	63	Lisbon	S	17	63	Peking	S	11	52	Warsaw	C	8	46
Chicago	R	3	37	London	S	12	54	Prague	C	9	48	Washington	S	14	57
Cologne	C	11	52	Los Angeles	F	13	55	Reykjavik	C	6	43	Zurich	C	10	50
Copenhagen	F	9	48	Luxembourg	C	9	48								
Corfu	S	18	64	Madrid	S	15	59								
Dallas	F	10	50	Majorca	S	19	66								
Dublin	R	14	57	Malaga	S	19	66								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US deficit talks aim for lower target

Continued from Page 1

reduction needed to avoid the $23bn of automatic spending cuts which are scheduled to take effect on Friday under the Gramm-Rudman budget process reform law.

The package apparently now on the table would also cut the deficit by some $45bn in 1989, although it remains unclear how real the second year cuts are.

Although some negotiators expressed optimism about the prospects for an accord - Mr Thomas Foley, the House majority leader, said an agreement might be reached during yesterday's talks - disappointment was the most striking feature of the comments made.

Among the key factors accounting for the more modest deficit reduction target is the realisation by the members of the negotiating teams that they were unlikely to be able to secure some $2bn of additional savings by trimming social security benefits.

World financial markets yesterday remained preoccupied with the budget deficit talks in Washington. The dollar weakened in late European trading on reports that Republican senators would not support the package.

In the last hour of London trading, the FT-SE Share Index fell by 15 points to close 3.6 points up at 1663.7. The FT Ordinary Share Index closed 1.3 points lower at 1309.3.

On Wall Street, the Dow Jones industrial average closed up 16.91 at 1939.16.

In New York, the dollar closed at DM1.6835 compared to DM1.6935 on Tuesday, and at Y135.30 compared with Y135.7 previously.

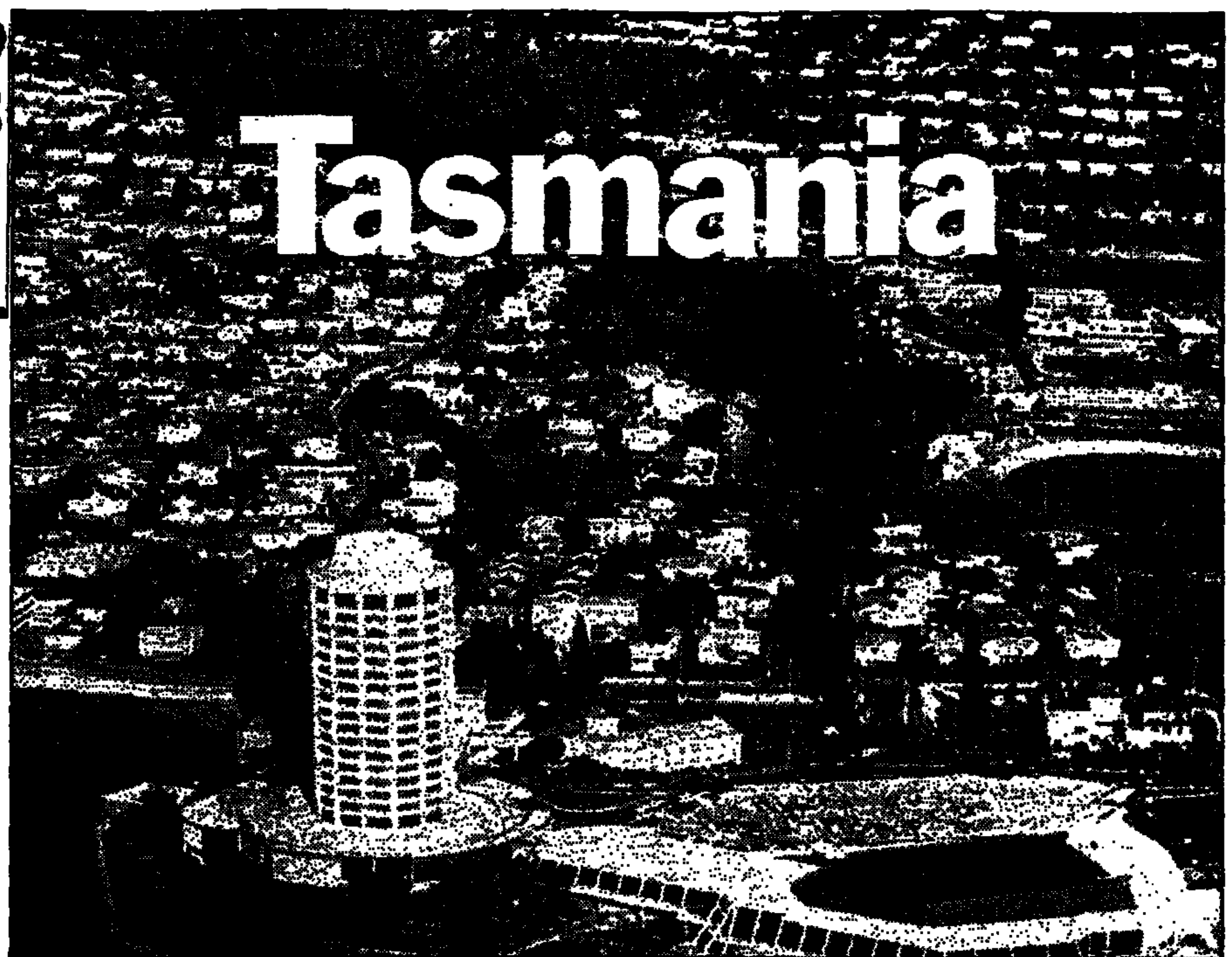
SECTION IV

FINANCIAL TIMES SURVEY

Tasmania

The island of Tasmania is the smallest of Australia's six states, but it offers a near irresistible life-style and is rich in natural resources and agricultural potential. Its history is a tale of tough endeavour where few of its achievements have come easily, as **Chris Sherwell** reports

Island of bold ambition



Hobart, (above) is the state capital, but Launceston is a rival claimant as the island's commercial centre.

TO MOST people who look at a map, Australia is almost at the end of the earth - and Tasmania is at the end of Australia. Inevitably, the island's isolation conjures up images of bleakness, backwardness and dependence.

Nothing could be further from the truth. The smallest of Australia's six states is also one of its best-endowed, with the resources for a high degree of self-sufficiency, a near-irresistible lifestyle and a friendly population.

Post-Chernobyl, even its isolation is seductive.

Yet as recently as the 1970s Tasmanians were said to be losing confidence about the state - to be suffering a lack of identity and a loss of direction. If so, that is changing: these days some go so far as to say that Tasmania would be better off outside the Australian federation.

There is no chance of that happening, but it is a good reason for outsiders to take notice. Tasmania is suddenly calling attention to itself, and its message is worth hearing.

Although it is just an island lying 150 miles across the Bass Strait from the Australian mainland, its latitude (40-43 deg. south) actually puts it on a par with Madrid, Rome or Philadelphia in the north, and its size is equivalent to that of Ireland.

With the Roaring Forties blowing in strongly from South America to hit the mountainous west coast, Tasmania enjoys what is called a 'maritime temperate' climate which is probably its chief asset.

It means there is rainfall throughout the year (though Hobart actually has half Sydney's level) and only rare *extremes of heat and cold*. The mild conditions - together with good quality water, fertile soils, four distinct seasons, disease-free isolation and clean air - make Tasmania Australia's agricultural haven.

Wool, beef, dairy produce, apples and vegetables are the mainstay agricultural products. Tasmania produces 70 per cent of Australia's peas, two-thirds of its hops, a fifth of its apples and onions.

But its agricultural ambitions go further: Tasmania is farming fish, essences, exotic fruit and plenty more, all with the aim of supplying quality items to gourmet markets abroad during their off-season.

The island's topography also means it enjoys a hydro-power potential of vast dimensions. It has used this cheap and clean form of energy to attract industries based on its considerable resources.

Thus, Tasmania has one of the world's largest electrolytic zinc smelters, refining concentrate from local and mainland mines, and various food processing plants. It has also attracted an aluminium smelter, silicon smelter and titanium dioxide plant.

The most important of its resources, however, are its eucalypt forests, which support a range of industries - sawn timber, plywood, pulp, paper and woodchip.

In the west, Tasmania also has some of the world's largest areas of temperate rainforest, a wilderness which is no less an asset because of its breathtaking beauty.

Few of Tasmania's economic achievements have come easily. The island was settled in 1803, not long after Sydney was founded and more than 160 years after Captain Abel Tasman of the Dutch East India Company first sighted the west coast.

Its history is a tale of tough endeavour to overcome difficult odds. It is also one marred by blemishes. *Port Arthur, near the* capital Hobart, and Sarah Island in the west, were both hellish convict settlements. The people who settled in Tasmania decimated the indigenous Aboriginal population.

Though whalers and sealers used it as a base, the island initially supplied wheat and wool to the colony which had begun in New South Wales. Only later did the mining industry grow up, based principally on tin, silver, lead, zinc and copper, but also gold and coal.

Then came the exploitation of hydro-power and the arrival of secondary industry. Agriculture's importance grew steadily, and latterly a new activity, tourism, has emerged as a key job-provider.

Through all this an intense rivalry between Hobart and the northern town of Launceston has continued to simmer. Founded only a year later than Hobart, Launceston was a "free" settlement unconnected with convicts, and from the start had its own lieutenant governor.

Whereas Hobart has always been seen as a government and administrative centre, Launceston is a commercial centre, said to be imbued with entrepreneurial spirit. It lays strong claim to be Tasmania's best-located com*munications and distribution* point.

The competitiveness permeates the state's life - people tend to bank with northern or southern-based institutions, to drink different brews, and even to talk of the Blackman River as a kind of Mason-Dixon line.

The rivalry extends inevitably to politics, and the parochialism is reinforced by the decentralised spread of Tasmania's population. Hobart (with 170,000 people) and Launceston (with 70,000), for example, account for little more than half the total.

The democratic structure of the state's political system heightens the tendency further. Tasmania *has 46 local councils*. Its 35-seat state assembly is elected from five seven-member constituencies by proportional representation. Above this stands a powerful 19-member upper house, with a governor at the *head*.

The man currently in the political driving seat is the 47-year-old Premier, Mr Robin Gray. He heads the only Liberal party state government in Australia. Indeed, the only other non-Labor state government *is in* Queensland, headed by the maverick National party figure Sir Joh Bkelke-Petersen.

Mr Gray is a former mainlander with big ambitions for his adopted state. Before he came to power in 1982, Tasmania had experienced Labor party rule for 45 of the previous 48 years.

Many say he has restored the Tasmanians' sense of identity and belief in themselves. Even his least charitable opponents acknowledge his achievements and innovations.

His creation of the powerful *Tasmanian* Development Authority shows he is willing to use government power to get things done. The authority lends money for house purchases, injects capital into new ventures and offers financial incentives to investors. Some say it tries to do too much - as one Tasmanian says, "The spear is still too blunt."

In his politics, Mr Gray displays a streak of agrarian populism and showmanship. He travels around the state a great deal, meeting people, opening functions and promoting his cause. Inevitably, there is some exaggeration of achievements and prospects.

He is also something of a confrontationist, especially when it comes to dealing with the Labor party *federal government in* Canberra, and particularly with Mr Bob Hawke, the Prime Minister.

Even now the reverberations continue from Canberra's intervention in 1983 to halt the controversial Gordon-under-Franklin dam. At the moment, there is a bitter dispute over the logging of two forests in central Tasmania.

Over recent months, as the full *impact of cuts in central govern*ment funding for Tasmania have sunk home, Mr Gray has talked increasingly of Tasmanians having to look after themselves - of self-reliance becoming the centrepiece of the government's economic strategy.

Overall, his main thrust is simple - he says that Tasmania must have economic growth to ensure jobs for its young people, but that this growth must be balanced against concern for the environment.

Like Australia as a whole, however, Tasmania cannot escape the consequences of the country's need to adjust economically because of its external current account deficit and its foreign debt problems. Nor will it avoid any recession that results from the recent worldwide shar*emarket crash*.

For investors, Tasmania's attraction (apart from cheap power for big electricity users) is its educated workforce, a low level of industrial disputes and relatively low state taxes and labour costs. *It is* also export-oriented - more so than most Australian states.

But Tasmania's principal attraction remains its lifestyle. The cost of living is lower than elsewhere in Australia (save for petrol), land is plentiful and more attractively priced than on the mainland, access to town and *country is easier, the crime* rate is lower, education is open to anyone and there is an abundance of outdoor pursuits.

Almost without exception, businessmen, farmers, bankers and ordinary workpeople who have chosen to live in Tasmania have no regrets. If they could be more outward-looking than they are, the *corollary danger is that too* many outsiders might then discover what a jewel Tasmanians possess.

CONTENTS

Political tensions with the mainland have intensified

Battling with Canberra

The Parliament House and State Offices in Hobart. Inset: Australia's Prime Minister, Mr Bob Hawke. His differences with the State Premier of Tasmania, Mr Robin Gray, have become intense. Mr Gray heads the only Liberal Party State Government in Australia.

MAINLANDERS WHO have moved to Tasmania are rather like people who change religions. Robin Gray, the state's 47-year-old premier, came to the island in 1965, and speaks of Tasmania with the passionate conviction of a convert.

His zeal is something he freely acknowledges, and it shows up in his ambition for the island. He talks vaguely of Sweden, Switzerland and Singapore as economic models to emulate, and has even begun speaking of self-reliance for Tasmania.

Born and raised in Melbourne, he went to agricultural college because, as he puts it, "I always wanted to be a farmer." But he never had the capital to follow that up - his father was a Presbyterian minister - so after spending a year in Britain he joined a firm of agricultural consultants.

He came to Tasmania when he was offered a similar job in Launceston. In time, he found he was negotiating prices for vegetable growers or dealing with government agencies on Tasmania's farm sector.

"My business came to include a role as an *agrarian politician*," he says. The step into party politics was almost inevitable.

In 1976 he became a member of the Tasmanian assembly representing the Liberal party. Within three years he was the party's deputy *leader*, and, by 198, its leader.

Politics is a complex business, *in Tasmania*. Its 35 state assembly members are elected from five seven-member constituencies under a system of proportional representation. Highly democratic in form, it also creates a finely balanced government in which parochial issues predominate.

Beneath the assembly are some 46 elected local councils, where parish pump politics also thrive. Above, there is a 19-member upper house, said to be the most powerful in the country. In its "over-government," Tasmania is a microcosm of Australia.

In 1982 a combination of the ruling Labor party's disarray and a firm line in support of the controversial Gordon-under-Franklin hydro-scheme gave governmental power to Mr Gray and his Liberals.

The victory broke a historic trend. Apart from a three-year period between 1969 and 1972, Tasmania had *experienced* Labor rule since 1934. The break with the past was confirmed when Mr Gray was returned to power last year.

This was despite Mr Gray's defeat at the hands of the federal government when Canberra intervened to halt the Gordon-under-Franklin scheme. Indeed, Mr Gray's determination to fight Canberra, *if anything*, helped him.

The premier has since continued the tradition of battling against Canberra. His fights with Mr Bob Hawke, the Prime Minister, have become more bitter and more personal, reaching the point where neither man trusts the other. The principal dispute *now is over the logging of* Tasmanian forests.

"The Labor party plays politics a lot harder than the Liberal party," claims Mr Gray. "Menzies believed in federation, that all states are equal. But these fel*lows play for keeps*."

Does Tasmania's future lie in it becoming a free trade zone with a large measure of independence?

"That would be great," he says, clearly enthused by the notion. "But the biggest problem is the federal government would never agree to it."

He accepts that Tasmania has benefited considerably in the past from Federal Government *largesse*. But he says Tasmania has suffered more real cuts in federal funding under Labor than any other Australian state, *especially over the past* three years.

That said, he is proud of the fact that he has cut the growth in the public sector, reduced the government's deficit and overseen an expansion in the number of jobs.

Plainly he also sees opportunities in the state's plight. Tasmania now runs its own *ferry* service across the Bass Strait, and the powerful Tasmanian Development Authority has been established to generate new economic activities.

An attempt has also been *made to create* a *Tasmania* Bank. This was supposed to be a merger between the two savings banks based in Hobart and Launceston, along with a Launceston building society. But petty parochial rivalries caused the Hobart institution to withdraw.

The episode split the Gray cabinet and caused one MP to resign, temporarily reducing the government's majority to one (it is now back to three). In many ways it was a perfect illustration of the workings of Tasmanian politics.

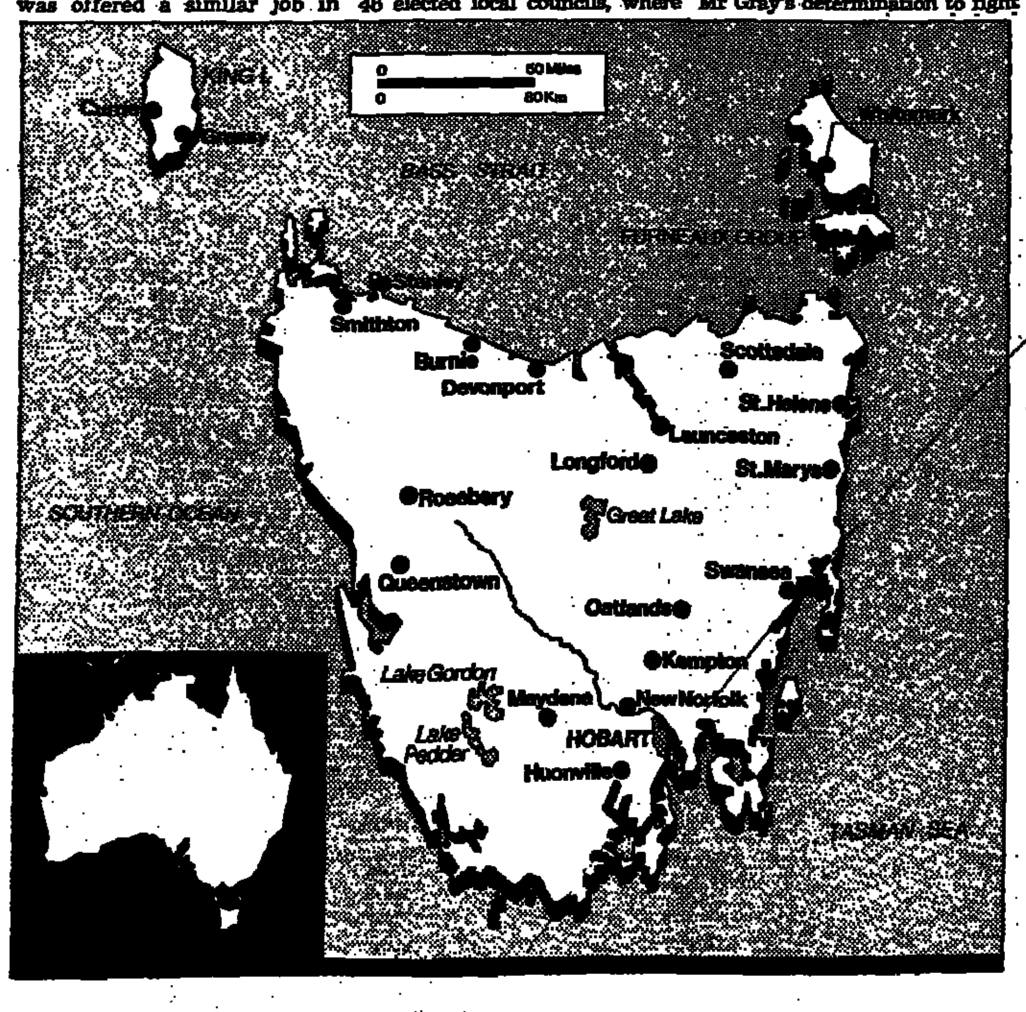
Although Mr Gray talks con*stantly* of the need for growth to ensure jobs for Tasmanians, he always adds that this must be balanced against environmental considerations. Tasmania's conservationist lobby is powerful, and has two representatives in the assembly.

Mr Bob Brown, one of the two, acknowledges that Mr Gray has introduced innovations which the state needed. But he finds Mr Gray *confrontationist* in his politics and objects strongly to the thinking behind his economic development programme.

Mr Neil Batt, Labor's leader, is even more stinging in his personal criticism of Mr Gray - "He's in the tradition of parochial, *inward-looking* politicians. He's not really a Liberal. He's more like an old Country party rural politician," *claims* Mr Batt.

Mr Gray responds in kind. He says Labor has no clear idea of where it wants to go, and that the conservationists are not as strong as they once were. Policies suggested by both, he says, have already been introduced by the Liberals.

Mr Gray would clearly like to carry on being premier indefinitely, and appears to have few federal ambitions to divert him - unlike the only other non-Labor state premier, Sir Joh Bjelke-Petersen, whose own federal campaign *collapsed* in ignominy, earlier this year.



Island's famous resident

Peter Wright, author of 'Spycatcher,' lives an hour's drive south of Hobart.

THE BEST-KNOWN British resident in Tasmania - perhaps in the whole of Australia - is Peter Wright, the former MI5 officer whose *Spycatcher* memoirs the British Government has tried desperately to suppress through the Australian courts.

Mr Wright lives in Cygnet, about an hour's drive south of Hobart, in a small shack on a 54-acre farm called Duloe Arabians. He retired there with his wife Lois in 1976 to breed Arab horses. Currently they have about 30, including two foals born only last month.

Now in his early seventies, Mr Wright is infirm and suffering from diabetes. He has to take several pills a day, and he finds it difficult to get around. He goes to Hobart to see the doctor, but his work on the farm has prevented him seeing much of the island.

The two are constantly pestered by telephone calls. They have two lines, with one reserved for close friends. Inquisitive journalists have become "a pain in the neck." As Mr Wright says, "We've sold more than a million copies now. What's the point?"

The Wrights came to Tasmania principally because their daughter Jenny lived there with her husband Grant, who was brought up in Tasmania. The two now grow tomatoes at their farm about 17 miles from Cygnet.

An initial attraction for the Wrights "down under" was the prospect of a part-time consultancy job in Melbourne. But, in the event, it fell through, and that almost stopped them coming.

But Peter Wright says he was "fed up" with Britain. He still feels very bitter about the British Government's "shabby treatment" of him regarding his pension - once again prompting the question of whether a satisfactory compromise on this issue might have saved the British taxpayer, government and secret service a lot of money, time and trouble.

The fact that Mr Wright is impressed by Tasmania - and Australia - goes almost without saying. "This is a good place to come," he says enthusiastically. "The climate is attractive - warmer than Britain. And with the drugs I take, I can't handle very hot weather."

Australia always appeared to him as a land of opportunity. In his view it has also benefited greatly from the addition of people who were not British.

The Wrights' start in Tasmania was uneasy. The local agricultural bank, now part of another state agency, would not lend them any money to get their new venture under way. But they soon reached the point where their horses won prizes at the Hobart Show.

Concerning Arab horses, Peter Wright has only good words to say. "They have one less vertebra, and one less pair of ribs. A bone in their neck gives them a characteristic arch. They are very short-backed and therefore very tough. The Arab people say they are good for races, provided the races are more than 20 miles' long."

But it costs money to show horses and to run a farm, and that has been a short commodity for the Wrights. Even now they look after chickens and a few head of cattle to keep themselves fed.

"We may get enough money from the book to get some help with the farm - if the British government doesn't get its hand on it first," he says. One girl who worked a few hours a day on the farm left recently to get married.

"We wait for people to come here. And they don't always like our prices," he says.

According to Mr Wright, the two of them should have come to Tasmania five years earlier, when prices of horses were higher and labour was less expensive.

After years in Britain the Wrights find Tasmanians very parochial, but also very friendly, though not always hospitable. As in Britain, Australians find it difficult to invite people home.

Neither of them has any regrets about coming to Tasmania, however. With their horse-breeding they are working at something they have wanted to do since they were children. And were it not for "the book," they would be doing it in considerably more obscurity.

Battle between Forestry Commission and federal conservationists

Log-jam on forest products

DAVID FOSTER is a giant of a man who wields a sharp, penetrating axe with unerring precision. With 15 angular blows which he administers in 36 seconds, he can slash in-two an upright trunk more than a foot thick.

Mr Foster is one of the more spectacular products of Tasmania's important forest-based industry, one of the state's largest both in terms of value added and employment.

But the industry's sustained growth is currently under threat because it has run into trouble with both the government in Canberra and the environmentalist lobby.

No other Australian state has such a high proportion of forested land - almost 3m hectares, of which 2.2m hectares, (or one-third of the island's land area) is of commercial quality.

Forty per cent of these forests are state forests, while another 13 per cent are Crown reserves and 21 per cent are on Crown land. About 23 per cent are privately-owned.

In the western half of the state, rainfall is high enough to support one of the largest expanses of pure softwood rainforest in the world. Overall, however, Tasmania's forests are dominated by eucalypts, and they form some of the finest hardwood stands on earth.

These are the foundation for Tasmania's large forest-based industries. The state has numerous small and large saw-mills producing sawn timber, sliced veneer, plywood and panelboard. It has other mills producing pulp, paper, newsprint and fine papers, and it has export-oriented woodchip plants.

The crucial task of managing the forests rests with the Tasmanian Forestry Commission. Currently it feels it is being frustrated by a skilful, well-orchestrated campaign by environmentalists against forest industries.

In particular, the conservation movement wants to enlarge the area of the country's national parks. Its critics say it also wants to prevent people enjoying them.

For their part, Commission officials do not doubt the value of protecting forested areas. The question, in the words of acting commissioner Andy Skuja, is: "How much is enough?"

The latest focus of this dispute is an inquiry established by the Canberra government into the heritage value of two forested areas, the Lemonthyme and the Southern forests, on both of which logging began earlier this year.

The dispute is something of a test case for the future of forestry and forest-based industries in Tasmania, although this has tended to be obscured by the clash between Canberra and Hobart.

On one side is a Liberal party state government which believes it manages its forests well and wants to see a major industry grow further and remain internationally competitive.

On the other is a Labor party federal government which is responsive to conservationist pressures for it to shoulder perceived obligations to protect certain heritage areas.

The courts have issued injunctions halting the logging for the duration of the inquiry, while the Tasmanian government has separately challenged the legislation under which the inquiry was set up.

The inquiry is due to report by next May, and the commission says the delay will cost the local industry several million dollars in lost revenue.

Some big issues are at stake. The conservationists object to the export woodchip industry which entails the clear-felling of forested areas and involves little processing at home.

It also says modern mass-logging techniques are inefficient because they take smaller proportions of quality timber than individual saw-millers, leaving larger proportions for the woodchip plants.

The commission sees the woodchip industry as a help to forest regeneration. In its view the industry grew up in areas where quality logs had already been felled but where regeneration was hindered because the areas were not cleared and burned.

It acknowledges modern techniques cut trees less efficaciously, but says the technology is critical to effective competition on world pulp and paper markets.

Locking away more areas as national parks, in the commission's view, would limit future access to quality timber and threaten sawmills and pulp and paper mills. It would also do little to curb the woodchip industry, which still has large areas it can exploit.

The commission in any case reckons its management techniques are tried and tested. Forty per cent of state forests, for example, are simply not used for production forestry, precisely as a form of security for the future.

In the case of the Lemonthyme, which lies next to a national park, only one-third was slated for production. Logging was also to be selective.

The commission also points out that in the late 1970s it set up a private forestry division to provide advice to private landowners, whose forests make up one-third of Tasmania's total available wood resource.

More recently the state has introduced a forest practices code to ensure that forest operations are environmentally acceptable.

Agricultural sector

New strategy

EVERY YEAR, Mr Tsuneichi Fujii, head of the Japanese woollen wear manufacturer, Fujii Keori, pays a world record price for a fleece of Tasmanian merino wool. Not only does it allow him to say his products are made from the finest wool in the world - Tasmania can say it produces the best as well.

No one doubts its quality. The Saxon merino, first imported in 1930, enjoys ideal pasture on large farms in central Tasmania. The state now has 5.4m sheep of various breeds - more than eleven times its human population. Most of its wool exports go to Japan.

But wool is only one element of Tasmania's agricultural success story. Even its meat (lamb and beef) and dairy industries these days seem overshadowed by its other activities.

Thus, the state produces 70 per cent of Australia's green peas for processing, two-thirds of its hops, a fifth of its potatoes (for frozen potatoes the figure is around two-thirds), and just under a fifth of its onions and apples.

Like New Zealand, Tasmania is trying deer farming, angora goat breeding and pig rearing. It is producing berry fruits, stone fruit, honey, soft cheese, fine wine and cut flowers. And it is growing pyrethrum, poppies, lavender, peppermint, spearmint, parsley, caraway and boronia.

The action is not confined to the land. At sea, it has already built up an abalone, scallop and rock lobster industry, which between them generate close to A$25m in export earnings.

Soon, these may be dwarfed by an aquaculture industry - the farming of oysters and, more importantly, of Atlantic salmon and rainbow trout. Tasmania even exports fresh sea urchin roe by air to Japan.

Some perspective is needed in assessing this remarkable range of activities. In the herbal oils business, for example, there is one lavender grower, three producers of parsley herb oil and three of spearmint. Some 35-40 are said to be growing peppermint.

The biggest project, at least in terms of spending, involves the Australian subsidiary of Britain's BOC group, which is investing millions of dollars in its pyrethrum project. The aim is to produce pyrethrin, a naturally occurring insecticide, on a commercial scale.

The whole industry was put on a more commercial footing last year with the formation of Essential Oils of Tasmania, which links a co-operative of some 70 farmers with the University of Tasmania and the Tasmanian Development Authority.

In the case of wine, only some 300 tonnes of grapes are currently being produced each year, and this limits the number of bottles available locally. The quality is mixed - a small sampling suggests the whites are more palatable than the reds.

The weather-hit South Australian crop means demand this year for Tasmanian grapes is sure to increase.

As for Atlantic salmon, the first fish were only harvested at the end of last year. But the harvest was 52 tonnes, and in five years the total is forecast to be 2,500 tonnes.

Indeed, forecasts last year by the Tasmanian Development Authority predicted that within ten years the farming of salmon and trout would expand 20-fold, while oyster production would increase 400 per cent.

The agency also said exports of fresh vegetables, notably onions, would increase 75 per cent, while production and export of stone and berry fruit would rise ten times.

Tasmania's overall strategy is to take advantage of the state's disease-free status to become a low-volume, specialised producer of quality perishable items for the gourmet end of the market.

The items involved include raspberries, blueberries and apricots, oysters and salmon, and cut flowers. The target is not simply mainland Australia. It is Western Europe and the US during key winter months when no other country can deliver fresh produce.

The success of this ambitious strategy depends only partly on the skills, investment and technology of Tasmanian farmers. It also demands the support of other groups in a fragile distribution chain - cargo handlers, airport workers, warehousemen and distributors.

This could be more difficult to manage. Apart from co-operation from uninvolved workers, it means increased domestic and international flights and improved cool-store facilities. Furthermore, Tasmania's farmers face similar problems as their counterparts on the mainland - a gyrating Australian dollar, high interest rates, unpredictable commodity prices and protected overseas markets.

The island has energy sources of vast dimensions

Controls hit hydro-power growth

THE ROARING FORTIES blow in from the west, touching no significant piece of land between Tierra del Fuego, half-way round the world, and Tasmania. When they crash into the island's mountainous west coast, they throw down lakefuls of rainfall - 142 inches a year, just north of Queenstown.

The result is an energy resource of vast dimensions. So successfully has it been exploited that, until the 1980s, Tasmania's Hydro-Electric Power Commission was arguably the most powerful state agency in Australia.

The clean and efficient generation of cheap hydro-power was used to attract heavy industry to the state. The jobs that resulted in smelters, saw mills and other establishments made the commission's work self-justifying - until 1982.

The failure to push through the 300 MW Gordon-under-Franklin dam project that year was a major defeat for the government as well as a turning point for the commission.

It came at the hands of the conservationist movement. Some say it was the result of the commission's success, ten years earlier, in over-riding protests at the expansion of Lake Pedder.

The commission itself remains the state's largest commercial employer with some 4,700 employees, and insists it has long been subject to stringent government controls over individual power projects, tariffs and borrowings.

But fresh state legislation requires the commission to secure ministerial approval before it enters special contracts with industrial users of electricity.

There has also been a change at the top. Mr Russ Ashton unexpectedly left his post as chief commissioner at the end of his second five-year term earlier this year, when he might have expected to stay on one or two more years. The job has now been split, with Sir Geoffrey Foot as chairman and the general manager's post vacant.

The Hydro-Electric Power Commission is now subject to stringent state rules over new projects, tariffs and borrowing.

None of this has actually halted expansion. In 1986, the installed capacity was 2,056 MW, 42.5 per cent higher than the 1977 figure of 1,442 MW. Energy generated was 8.33m kWh, up from 6.75m kWh in 1977 and 2.5m kWh in 1960. The figure is close to seven per cent of the total electricity generated in the whole of Australia.

The most recent project to be opened is the 231 MW Pieman River power development, involving three power stations and four dams. Delays to the project's start, a lengthened construction period and rising costs pushed the overall cost to A$691m, but still left the power cheaper than any non-hydro alternative.

Two current developments - the 142 MW King River project and the 84 MW Anthony project - are due to be completed in 1991. Located in the west around Queenstown and Rosebery, both were approved after work was halted on the controversial Gordon River scheme.

The projects are using A$275m in finance offered by the federal government as compensation for the Gordon project. The compensation aims to ensure that the cost of electricity from the two new developments is equivalent to the cost of power which would have come from the Gordon development.

The hydro-commission is quick to point out that the Gordon River scheme remains the cheapest block of power available in Australia, and the ambition to develop it plainly persists.

The commission is also concerned that remaining resources available for development are being "locked away" by the conservationist movement.

"The movement certainly remains antagonistic. It says the commission's forecasts of energy demand in relation to the Gordon River scheme were ambitious (something the commission tacitly admits), and rejects the logic behind attracting more heavy industry to the state.

It also wonders whether the commission, which is expected to operate at neither a profit nor a loss, recovers its costs in its power sales to the heaviest users.

The commission insists its charges are subject to quarterly adjustment to ensure that returns are adequate. The conservationists believe large new investments can negotiate power rates lower than the cost of electricity from the new hydro-schemes.

The consumer statistics are revealing. In 1986, 165,400 residential consumers bought 921m kWh of power, whereas 17 major industrial users consumed 5bn kWh.

They included CRA's aluminium smelter, North Broken Hill's zinc smelter in Hobart and mine in Rosebery, three pulp and paper plants also operated by North Broken Hill, and the Cadbury Schweppes chocolate confectionery factory in Hobart.

By non-Tasmanian standards, the commission remains an average-sized enterprise. In the year to June 1986, it enjoyed an income of A$256m and a profit of A$9.98m. Capital spending was A$208.6m, with the Pieman development taking A$76.3m and the King and Anthony schemes another A$81.7m.

One constant concern for the commission is the level of water in its dams. It has one oil-fired 240 MW thermal station at Bell Bay in the north, and this is seen as a comforting back-up which allows greater run-downs of water storage.

If the commission is not allowed to develop further hydro schemes, then it will have to turn to other sources of energy around the turn of the century. That would be coal, although on Flinders Island a wind energy scheme has been tried.

Clearly the commission's role is changing, and in a bid to exploit the expertise and experience built up by the organisation, the government has established a new entity called the HEC Enterprise Corporation.

The commission's assets are wide-ranging because so much work is done in-house - surveying, mapping and design, the construction of roads and tunnels as well as dams, the building and servicing of power plant and distribution networks.

The idea behind the HEC Enterprise Corporation is that the commission can sell its unique expertise at home and abroad. In the past, this has been resisted because of the risk any loss-making activity poses to the commission's relations with its customers. Formation of the corporation circumvents the difficulty.

Manufacturing sector

A more progressive image

ON THE main road, ten minutes' drive north of Launceston, Tasmania's commercial centre, stands one of the largest manufacturers of engine bearings in the southern hemisphere.

ACL Bearing is part of Automotive Components, and the only manufacturer of its type in the country. It enjoys protective tariffs and has all the advantages of a monopoly supplier to Australia's motor industry.

But because it has to supply General Motors plants abroad, it cannot afford not to be competitive. It also competes locally with its other line of business, powdered metallurgical products.

About ten per cent of these are exported, and a third of its bearings are sold abroad. Most of the raw materials for its business are Australian-made.

The company is a major private sector employer, with around 500 workers. In 1986 it was the subject of the biggest management buy-out then seen in Australia.

ACL Bearing, in short, is a classic manufacturer. Yet it is not typical of the state. Tasmania's main industrial products are refined zinc, sawn timber, woodchips, newsprint, fertiliser, sulphuric acid and building and food products.

The state has almost 600 manufacturing operations employing some 27,000 people. As an activity, manufacturing contributes proportionally about as much to the Tasmanian economy as it does to the Australian.

The bulk of it, however, clearly represents the downstream processing of output from primary sector activities - forestry, mining and agriculture - which explains why so many of Tasmania's industries and people are found outside its two main cities.

One of the most important companies in this respect is North Broken Hill, which has its headquarters in Melbourne. The group operates one of the world's largest electrolytic zinc smelters on the banks of the Derwent river in Hobart.

The smelter, which draws most of its zinc concentrate raw material from the group's mines, also produces sulphuric acid, fertilisers and cadmium. It is currently undergoing a A$100m modernisation plan to increase metal recovery and allow more cost-savings.

This is seen as the basis for a A$150m expansion which would increase production from 210,000 tonnes to 320,000 tonnes by the early 1990s. It would make the refinery the biggest in the world and capable of competing with low-cost producers in Peru, Europe and Canada.

North Broken Hill is also heavily involved in Tasmania's timber and pulp industries. Last month it confirmed that six major Japanese companies had agreed to take a $100m equity stake in a proposed $1bn export pulp mill to be built on Tasmania's north-west coast.

The mill would produce 400,000 tonnes of pulp a year, with three quarters of this exported to Japan and the US. The Japanese companies would purchase up to 150,000 tonnes of pulp each year. North Broken Hill would retain the remaining 100,000 tonnes for use in its own paper production in Tasmania.

Like the zinc refinery expansion, much depends on commitments from the Tasmanian Government regarding power prices (in the case of the refinery) and wood supplies (for the mill). An investment decision on the mill is due early next year.

North Broken Hill already has a 70,000-tonne paper mill at Wesley Vale, which is the proposed site for the new pulp mill, and another 150,000 tonne mill at Burnie on the north coast. It also has export woodchip plants at Longreach and Triabunna, and a 30 per cent stake in a Tasmanian hardwood saw-milling group.

Another company, Amcor, produces woodpulp in Tasmania for conversion to paper and paper board. The Fairfax and Herald and Weekly Times newspaper publishing groups, the only manufacturers of newsprint in Australia, own a 200,000 tonne-per-year newsprint mill near Hobart which is undergoing a $60m upgrading and expansion to increase capacity.

Other large industrial plants in the state include the aluminium smelter operated by Comalco, a subsidiary of CRA, and an alloy plant operated by Tasmanian Electro-Metallurgical Company, a subsidiary of BHP, Australia's largest company.

Tioxide Australia is increasing the capacity of its Burnie titanium oxide pigment plant by 25 per cent to 52,000 tonnes a year, while in the south a new $40m silicon smelter has been built for Pechiney of France and Pioneer Concrete Services of Australia.

The food manufacturing sector is also sizeable. Cadbury Schweppes has had a chocolate factory in Hobart for decades. A more recent development is the construction of a $14.5m potato-processing plant by Canadian-based McCain Foods. The biggest vegetable processors are the Edgell-Birds Eye factories.

In textiles, too, there are significant activities. Coats Patons has produced knitting yarns since the 1920s, Waverly Woollen Mills since 1874. Last month, Norsewear, a New Zealand company, moved into a small factory near Hobart.

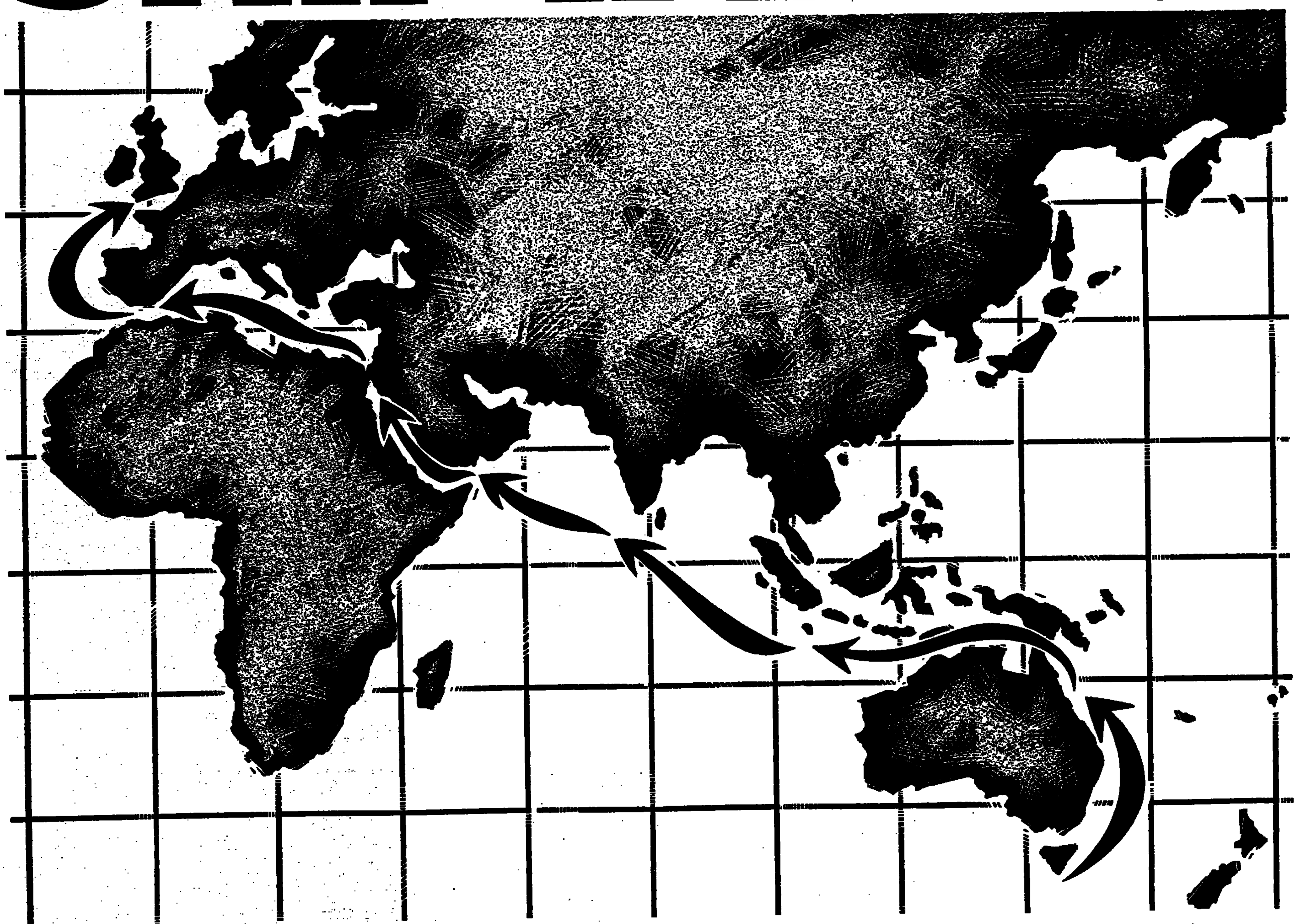
The bid developments are attracted by cheap energy. Many smaller developments owe much to the financial help offered by the Tasmanian Development Authority. But most also point to the state's attractions as an investment location because of its lifestyle and workforce.

With its significant budget the Authority has sought to encourage both the Tasmanian construction industry and smaller craft industries based on local materials, such as the furniture industry.

In an effort to attract new technology businesses to the state, it has also created a $3m, 5-hectare "technopark" near Hobart. The government has relocated the education department's science equipment centre there, and two companies - a producer of radio antennae and an electronics group - have also moved in.

It is too early to judge the success of this initiative. But it does reflect a desire by the Tasmanian Government to display a progressive image which might attract technological industries to the state.

ENGLAND'S NEW SHIPYARDS.



12,000 miles might seem a long way to go for a ferry that does a 10 mile trip, but British Sealink are convinced it was well worth it.

Their new Portsmouth to the Isle of Wight ferries are catamarans. 85 tonne, 470 passenger catamarans which cruise at 30 knots. They're fast, fuel efficient and built in Tasmania.

But you shouldn't really be surprised that Tasmanians are exporting ferries to England.

We're also selling 11,000 tonnes of onions to Germany, even though they're five times dearer than local produce.

We've exported 7 acres of carpet to the Sheraton Hotel in Waikiki, even though America is hardly lacking in carpet manufacturers.

And we've sold around £10 million worth of superfine wool in a year, to one of Japan's top fashion designers.

Obviously there are some extremely talented people working in Tasmania.

But just as importantly, if not more so, the Tasmanian State Government are very positive about free enterprise.

So much so that they went as far as establishing the Tasmanian Development Authority, whose sole reason for being is to help free enterprise flourish.

So if you have a viable enterprise, we have an environment in which it can thrive.

If you fill in the coupon, we'll tell you all you need to know about running a business in Tasmania.

And we think it'll make you want to come over here.

After all, quite apart from the business environment, Tasmania is a beautiful, unpolluted, stable and inexpensive place to live. Even the weather's better than England's.

And every now and then, you can watch your team beat ours at cricket.

To: The Tasmanian Development Authority,
P.O. Box 646G, Hobart, Tasmania 7001, Australia.
(Telephone: 61 02 20 6888, Fax: 61 02 23 3536).

Please tell me more about business and life in Tasmania (and your new fast bowler).

Name:__________

Company:__________

Address:__________

__________ Phone:__________

Nature of Business:__________

TASMANIA. THE FREE ENTERPRISE STATE.

Tasmania's magnificent rainforests and scenic beauty offer much for "experience-seeking" visitors

Rich potential for tourism

ARE YOU looking for a *different* Australia, one that is neither sand and surf nor sun and outback? Tasmania offers an interesting alternative, embracing scenery, history and cuisine, all in a temperate climate.

The state does, of course, possess beaches, and can offer snow skiing in winter, too. But these are not its main attraction. That is its wilderness -- the largest remaining areas of untampered temperate rainforest in the world, spread across thickly covered mountains and lush river gorges.

If you are not the adventuring type, Tasmania has also managed to preserve more evidence of its early white settlement than other parts of Australia. There are stark prisons used by its first convicts - and, dotted around the state, fine colonial buildings and houses.

As for food, if you like salmon, oysters or scallops, venison, veal or pheasant, broccoli or asparagus, strawberries or blueberries and cream, and brie or camembert-style cheese, then in Tasmania it is all available, not only fresh, but full of flavour.

Tasmania's grapes, too, are being turned into a range of fine wines.

Whether it is touring or trekking, Tasmania has something for everyone. You can fly over its wildest parts or push through them, motor between hotels or crew a square-rigger round the coast, boat up the magnificent Gordon River or go white-water rafting down its tributary, the Franklin.

As if this is not enough, visitors who make it to Cape Grim, on the north-western tip of Tasmnnia, can take in a lungful of the cleanest air in the world, blown all the way from South America.

Despite these attractions, tourism has yet to become the economic saviour which successive Tasmanian governments expected. In recent years other Australian states, particularly Queensland, have been more successful in attracting visitors.

According to a recent survey, just over 329,000 people visited Tasmania in 1986, an increase of only 4.3 per cent in the two years since the previous survey was conducted.

Whether it is touring or trekking, Tasmania has something for everyone. For adventurous types, the island's main attraction is its richly-forested wilderness.

Of this total, only 25,800, or nine per cent, were from abroad - the rest came from other states, chiefly Victoria and New South Wales. Nineteen per cent of the total came on business, while 25 per cent came to see friends or relatives.

More positively, the average length of stay was 10.7 days, higher than any other Australian state. Spending in Tasmania amounted to A$237m.

The Tasmanian Government, seeing an industry which employs 15,000 people directly or indirectly, wants to see 500,000 adult visitors by 1990-91. But to do so it will have to tap new markets in what is an increasingly sophisticated industry.

According to an analysis done for the department of tourism by Ibis Deloittes, Tasmania must recognise the modern fragmentation of the tourist industry and the irrelevance of the mass marketing approach used to sell Tasmania in the 1970s.

On this analysis, Tasmania has a core market - 55 per cent of its visitors - with a preference for "passive and hassle-free holidays." For this group, it says, Tasmania must upgrade what it offers in order to maintain comfort and value for money and to encourage repeat visits.

The real potential lies with a second group, representing about 19 per cent of the present market. These people visit Tasmania because of its scenic beauty, especially of its wilderness areas, and only secondarily for its historical significance.

They are "experience seekers" who should be offered more out-of-the-way accommodation along the lines already available at Cradle Mountain, the study says. There should also be a variety of semi-active outdoor activities like walking and climbing.

The competition for such visitors is said to come from New Zealand, not other Australian states, and marketing should be adjusted with this in mind, with the emphasis on the experience rather than on "roughing it."

The third group, by contrast, wants high involvement and excitement at low cost. People in this group, currently put at 18 per cent of the existing market, are happy to stay in camps or youth hostels.

The important core market, on the other hand, is in danger of being eroded as Tasmania's standards fall behind those of other states.

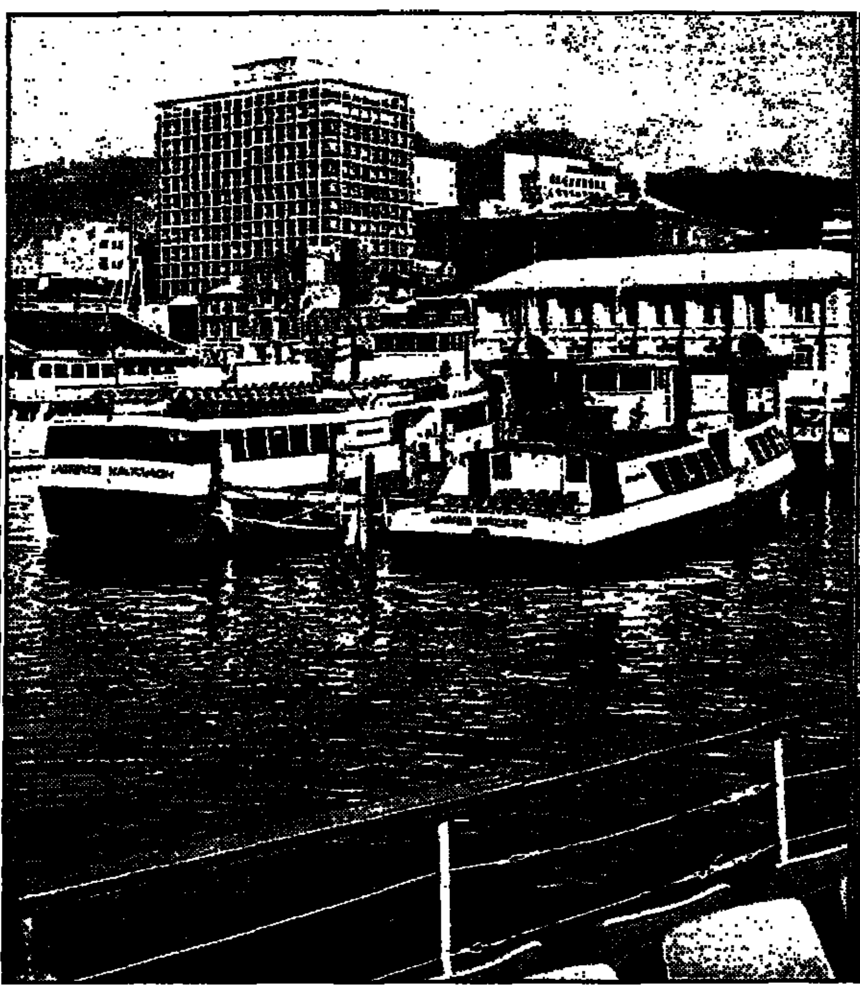
In this respect the opening of the Sheraton Hobart has added top-quality hotel rooms to the state capital, even if outwardly it is described as an inelegant structure. Several other hotels in the state have also been refurbished.

According to the study, however, the middle sector of the market is characterised by "tired" and over-priced accommodation.

One strategy being developed by Tourism Tasmania - the name of the recently restructured Department of Tourism - is to create more "destinations" for visitors, reducing the emphasis placed on actual touring done by the typical "fly-drive" visitor.

The most popular spot for visitors, for example, is the convict settlement at Port Arthur, 75 minutes' drive from Hobart.

Though other popular spots are equally accessible - the 1,250m-high Mount Wellington, overlooking Hobart, and Cataract Gorge, in Launceston - Tasmania's real attractions do indeed lie in its wilderness and its national parks, and no trip would be complete without a visit there.



The waterfront on the River Derwent (left) and Salamanca Place, in Hobart.

Port Arthur is famous as the former centre of convict control in Tasmania. The church, above, and most other buildings in the settlement, were erected by convict labour in the 1830s. Today, these ruined buildings are a popular visitor-attraction.

Mining

Cornerstone of the state's economy

UNLIKE MOST places in Tasmania, Queenstown is known (and probably loved) for its beguiling ugliness. Its surrounding mountains are yellowed and bare, reputedly the victims of sulphur-spewing smelters in days when miners extracted gold, silver and copper from nearby Mount Lyell.

Thanks to attractive State Government assistance which is designed to keep it open until 1994, the Mount Lyell mine is still operating, producing copper for its owners, Renison Gold Fields, from a deeper ore body.

Queenstown itself remains the centre of the state's mining industry, but more for what is going on around it rather than in it. The town is at the heart of a rich belt of mineral deposits which is more than 100 kms long and 10-15 kms wide.

One new centre of activity is at Hellyer in the north of this zone, where an underground deposit of zinc, lead and silver ore was located in 1983. The 19m tonne resource is being developed by Aberfoyle, best-known as an Australian tin producer whose largest shareholder is Cominco of Canada. Australia's MIM has a significant stake in Cominco.

Aberfoyle announced last month it would quadruple output from the mine to 1m tonnes of ore per year. Half of the estimated 170,000 tonnes of zinc concentrate will be processed at North Broken Hill's refinery in Hobart, with the rest sold on world markets.

Aberfoyle also operates a zinc, lead, and silver underground mine at Que River, immediately south of Hellyer, from which it also supplies the zinc plant in Hobart.

Que River started production in 1981, seven years after the resource was first outlined. Both mines are said to have helped Aberfoyle offset the problem of weak tin prices.

Australia's gold rush has not bypassed Tasmania

North Broken Hill itself operates a zinc and lead mine at Rosebery, found in the 1890s and fully developed in the 1920s. Indeed, the area's main zinc, lead and silver deposits extend from Hercules, south of Rosebery (where another mine is operated by North Broken Hill) to Hellyer.

The area also has significant tin deposits, first revealed in 1900 when a railway line was under construction. Renison Bell, lying between Queenstown and Rosebery, is the world's largest underground tin mine. It is operated by Renison Gold Fields.

Aberfoyle's tin operations were based on Cleveland Tin, also in the area, which finally closed last year. The mill is now being used as a treatment plant for zinc ore from Hellyer, saving considerably on the new mine's capital costs.

At Savage River, also in the West Coast area, an open cut iron ore mine opened in 1968, some 90 years after the original deposit was first recognised. The ore occurs in the form of magnetite, and an 85 km slurry pipeline carries the concentrated ore from the mine to a pelletising plant on the north coast for export to Japanese steel mills.

Australia's "gold rush" of 1986-87 has not bypassed Tasmania. Electrolytic Zinc, the North Broken Hill subsidiary which mines and refines zinc in Tasmania, is said to be in the top 15 gold producers in the country. An old gold mine at Beaconsfield may also be re-opened.

Queenstown itself was founded on gold, which led to the establishment of the famous "Iron Blow" open-cut mine. It was only when that mine's ore was processed that its copper resource was recognised. It took years for people to appreciate that this was its true source of wealth.

If one adds in tungsten mining from King Island, offshore oil exploration in the Bass Strait, coal mining and the smelting of zinc, aluminium and silicon, Tasmania is clearly nothing if not a mining state.

For more than 100 years mining has been a cornerstone of the state economy and, in a display of confidence, investments worth hundreds of millions of dollars continue to be made by mining companies.

According to the State Government, the total value of production is expected to top $1bn by the end of next year.

RANK XEROX

1960's
The world of data processing.

1970's
The world of word processing.

1980's and beyond...
The world of document processing.

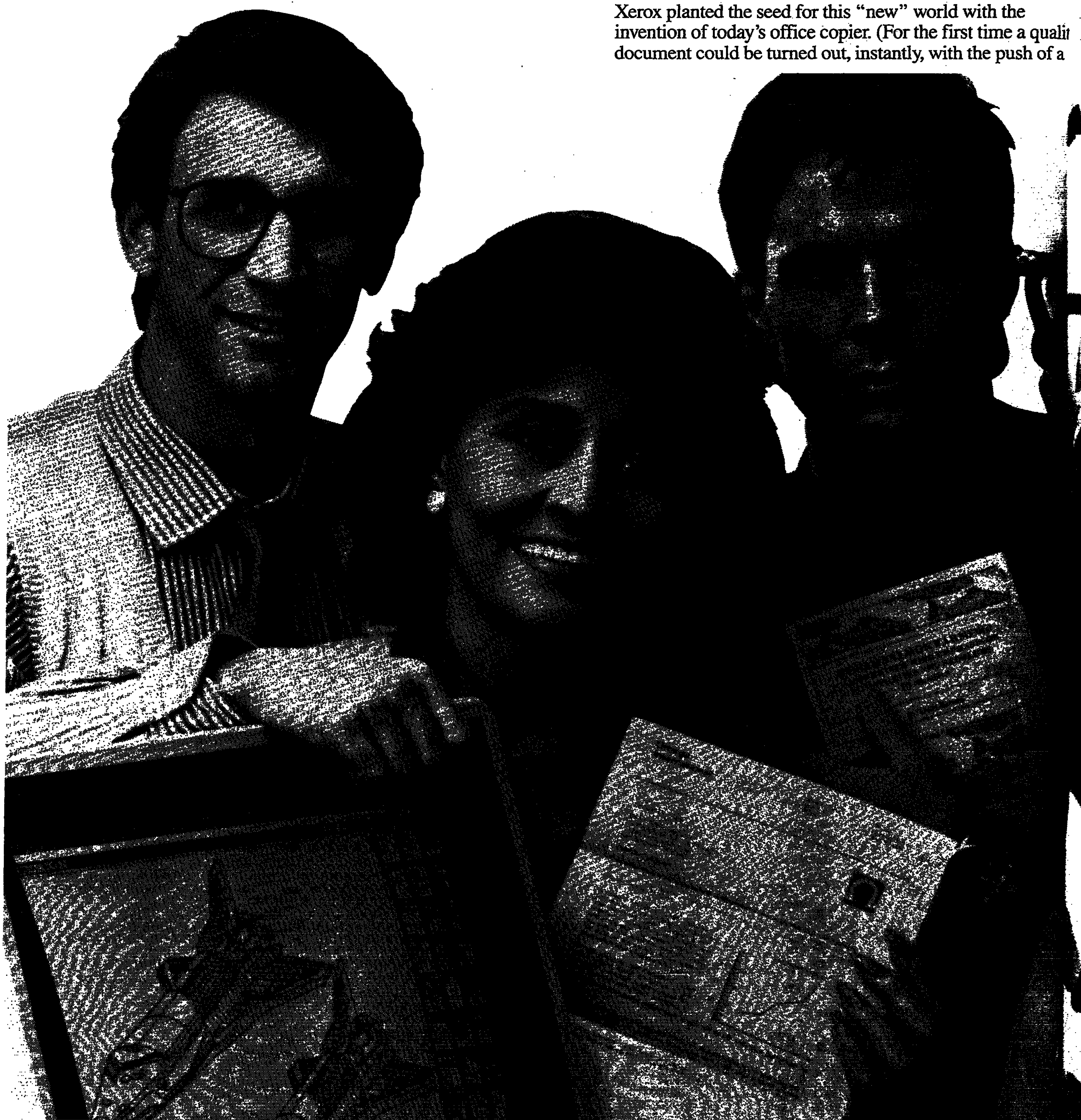
We document the world.

Document processing. It's a new way of describing what's been going on in the office since there was an office—the creating, copying, distributing and filing of ideas.

Why a new description? Because the documents have changed and the process of producing them has changed.

Today, a document can be both a piece of paper, and an electronic image viewed on a workstation screen. And document processing is no longer just typewriter and copie but computer systems, advanced electronics and laser technology.

Xerox planted the seed for this "new" world with the invention of today's office copier. (For the first time a qualit document could be turned out, instantly, with the push of a



RANK XEROX

button.) Since that time, Team Xerox has introduced a steady stream of products and systems that go far beyond simple copying. Laser printers. Complete publishing systems. Typewriters that remember. Facsimile machines. Workstations for the creation of the new electronic document. And, most recently, scanners and electronic filing systems that move documents back and forth between the world of electronics and the world of paper. As a result of these innovations, Rank Xerox is at the head of the class in document processing.

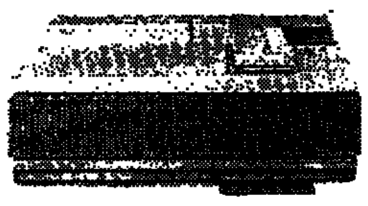
What does this mean for your world and the productivity you strive for?

Today's businesses are judged by the documents they turn out. And it's not just how good they look, but how effective and persuasive they are in communicating their content that determines whether a business lives or dies. Rank Xerox leadership in document processing can give your business a potent competitive advantage by making your documents great looking, easier to produce, and more compelling than ever before.

Document processing from Rank Xerox. It is our heritage, our day-to-day business, and our role as a leader in office productivity. For more information about document processing and what it can do for you, write or phone your local Rank Xerox office. Whether it's printed on paper, seen on a screen, a perfect copy, or a brilliant original—what you see is what we do.

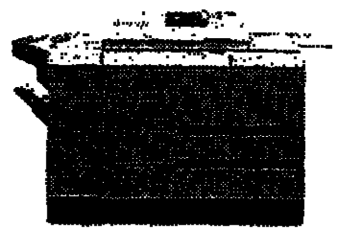
Team Xerox. We document the world.

RANK XEROX



We print.

Xerox Diablo D25 Daisywheel Printer
Xerox Diablo 630 ECS Daisywheel Printer
Xerox Diablo 635 Daisywheel Printer
Xerox Diablo D80/D80IF Daisywheel Printer
Xerox 4020 Color Ink-Jet Printer
Xerox Diablo 34LQ Dot Matrix Printer
Xerox 4045 Laser Printer
Xerox 4046 Laser Printer
Xerox 2700 II Laser Printer
Xerox 3700 Laser Printing System
Xerox 4050 Laser Printing System
Xerox 4060 Electronic Printing System
Xerox 8700 Laser Printing System
Xerox 9700 Laser Printing System
Xerox 9790 Laser Printing System



We copy.

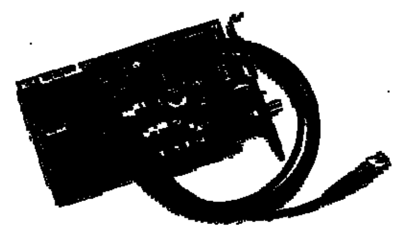
Xerox 1012 Copier
Xerox 1025 Copier
Xerox 1038 Copier
Xerox 1040 Copier
Xerox 1045 Copier
Xerox 1048 Copier
Xerox 1050 Copier
Xerox 1065 Copier
Xerox 1075 Copier
Xerox 1090 Copier
Xerox 9500 Duplicator
Xerox 9600 Duplicator
Xerox 2510 Engineering Copier
Xerox 1005 Color Copier
Xerox 2080 Engineering Printer
Xerox 3080 Copier Printer
Xerox 7080 Engineering Printing System
Xerox 980 Microfilm Printer
Xerox 990 Viewer Printer

We create.

Xerox 6085 Professional Computer
Xerox 1186 Artificial Intelligence Workstation

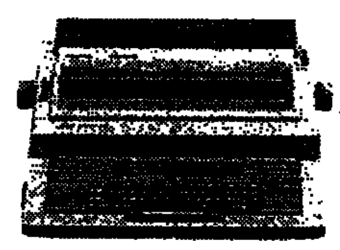
We transmit.

Xerox Telecopier 7010 Facsimile Terminal
Xerox Telecopier 7020 Facsimile Terminal
Xerox Telecopier 7021 Facsimile Terminal
Xerox Telecopier 495-I Facsimile Terminal



We communicate.

Xerox Communications 20 Network
Xerox Communications 80 Network
XNS for DEC's VAX Systems

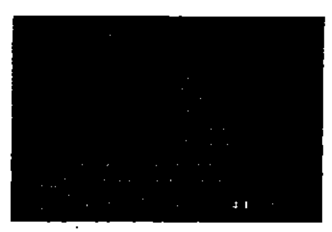


We type.

Xerox 575 Typewriter
Xerox 6010 Memorywriter
Xerox 6015 Memorywriter
Xerox 6020 Memorywriter
Xerox 630 Memorywriter
Xerox 645 Memorywriter
Xerox 645E Memorywriter

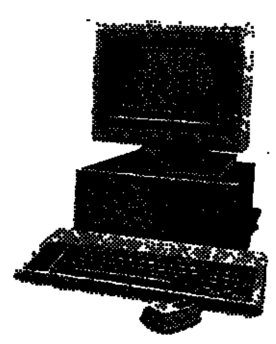
We mail.

Cheshire 595 and 596
Cheshire 765 Folder/Inserter
Cheshire 742 List Management System
Cheshire 750 II Binder
Cheshire Addressers
Cheshire 762 Labeler



We scan.

Kurzweil 4000 Intelligent Scanning System
Kurzweil Discover 7320 Intelligent Scanning System
Xerox FaxMaster Software



We publish.

Xerox Desktop Publishing Systems
Xerox Documenter System
Xerox Publishing Illustrator's Workstation
Xerox 701 Publishing System
Xerox Ventura Publishing Software

Team Xerox. We document the world.

Not all machines and systems available in all countries.

INTERNATIONAL APPOINTMENTS

Flying Tigers marketing head made president

MR STEPHEN M. Wolf, chairman, president and chief executive officer of the revitalised Tiger International group, has promoted Mr James A. Cronin from the post of senior marketing executive to president and chief operating officer at Flying Tigers, the principal subsidiary of Tiger International.

During the 15 months since Mr Wolf joined the Tiger International group, it has been transformed from a heavily-indebted loss-maker to producing record profits for the latest quarter, and Mr Cronin has played an important role in this dramatic recovery.

Flying Tigers is the world's largest and oldest scheduled air cargo carrier, but had been suffering serious financial problems for several years. However, it recently reported a four-fold rise in pre-tax profits for the third quarter of 1987 from the year-ago period.

Mr Cronin, as former head of marketing, customer service and terminal services, among other responsibilities, at Flying Tigers has had a direct management role in the introduction of revenue generation programmes.

The strengthening of Flying Tigers' financial and marketing position began in November last year with an innovative employee partnership programme, which reduced internal costs and provided employee incentives in the form of profit sharing and stock ownership. This was followed by a financial restructuring which significantly lowered Flying Tigers' debt costs.

Mr Wolf said: "The appointment is a natural outgrowth of the comprehensive revitalisation programme which was initiated late last year, and which has brought Flying Tigers to its present profitable position.

"Jim Cronin is an outstanding executive who has been an integral part of the marketing and operations aspects of our efforts from the beginning. He has the right mixture of marketing, planning and financial skills, and experience to provide the operational direction the airline requires as we continue to strengthen our market position."


Mr James A. Cronin

Mr Cronin joined Tiger International in 1980. Mr Wolf, renowned for his past achievements in bringing ailing airlines back to a healthy profit basis, remains chairman and chief executive officer of Flying Tigers, as well as chairman, president and chief executive officer of the Tiger International holding company. While Mr Cronin will concentrate on Flying Tigers' day-to-day operations, Mr Wolf will continue to focus on the strategic, corporate development and financial activities of both the parent and the airline.

Mattel executive post

THE AMERICAN toy manufacturer Mattel Inc has appointed Mr Achilles Davanzo executive vice-president of its Mattel International division.

He will assume responsibilities for Europe, the Middle East and Africa. He succeeds Mr Lindsey Williams, who was appointed president of Mattel International earlier this year. Mr Davanzo has been with Mattel for 19 years and president of Mattel Italy, a subsidiary of Mattel International, for 15 years.

His leadership in bringing growth and profitability to Mattel's Italian operation has been cited as a major factor in achieving this new appointment. He will move from Italy to Mattel's corporate headquarters in California early in 1988.

Change of president at General Dynamics

GENERAL DYNAMICS, the US defence contractor which manufactures F-16 fighter aircraft and Tomahawk cruise and tactical missiles, announced that Mr Herbert Rogers, currently executive vice-president of its aerospace division, will become president and chief operating officer of the company from the beginning of next year.

Mr Oliver Boileau, company president since 1980, is stepping down and will become vice-chairman until he retires at the end of April next year.

Mr Rogers, 62, aims to cut costs at General Dynamics and maintain the company's position as a major US defence contractor in the face of falling US defence spending, which is making competition for contracts fiercer.

* * *

THE BOARD of Inco, the large Canadian nickel producer, has elected The Honourable Judith A. Erola a director.

A Member of Parliament for the Sudbury riding of Nickel Belt from 1980 to 1984, Mrs Erola held positions as Minister of Mines and Minister of Consumer and Corporate Affairs.

Noted biologist joins Kidder Peabody division

A NOTED biologist has been appointed vice-president of Kidder Peabody's Life Sciences Investment Banking group, which embraces the pharmaceutical division of the Wall Street investment house's corporate finance business.

He is Dr John R. Sheppard, 42, who will play an integral role in evaluating the potential of promising new biotechnologies. This field is intended to be the driving force for the Life Sciences segment, which has been established for around three to four years and has seen a fairly aggressive growth pattern over the last 12 months.

For the past 15 years, Dr Sheppard has been on the faculty of the University of Minnesota, most recently as professor of genetics and cell biology, professor of medicine, and director of the Dight Laboratories' medical research facility.

From 1982 to 1984, he served as a visiting scientist at SmithKline Beckman and French laboratories in Philadelphia. Prior to that he spent a year as visiting professor of pharmacology at Heidelberg University in West Germany.

* * *

GEORGIA PACIFIC, the US forest products group, has elected Mr Harold Airington as its president and chief operating officer from February 1. Mr Airington, currently executive vice-president in charge of building products, will succeed Mr Robert Schumacher when he retires on January 31.

Mitel divisional head

THE CANADIAN concern Mitel, which is one of the world's leading specialist producers of business telephone systems, has appointed a new vice-president and general manager for Europe, the Middle East and Africa.

He is Mr Jean-Bernard Miellet, 48, who will be responsible for all Mitel's business development, sales, marketing and customer support activities within Europe, the Middle East and Africa. He will also be responsible for co-ordinating activities at Mitel's research and development and manufacturing facility in South Wales.

Mr Miellet was formerly vice-president, Europe, Africa and Middle East for AES Data, where he was responsible for six direct operations and a distribution network throughout Europe, the Middle East and Africa. Previously, he worked for Compugraphic for seven years, occupying major posts in the US, UK, France and West Germany.

Accountancy Appointments

CREDIT MANAGEMENT

Finance House

Up to £25K, excellent benefits

This is an exciting opportunity to join one of the largest, most successful and fastest growing finance houses in the U.K. With an enviable reputation for profitable innovation and a substantial programme of investment, they require a Senior Underwriter due to internal career progression.

Concerned with underwriting for a wide range of corporate, commercial, agricultural and consumer customers, the Senior Underwriter plays a key role in supporting the large national branch network and has substantial personal acceptance authority. A member of the Credit Committee, you will also provide input to lending policy and control of standards as well as monitoring arrears and large exposures.

Candidates, prob-bly in their early 30s, must be qualified accountants/bankers with significant experience of financial underwriting/credit-control in commercial and consumer markets, probably gained in a finance house. Experienced in dealing at all levels diplomatically, you should be a good communicator and able to work under pressure.

There are first class prospects and an excellent benefits package including a car scheme. An attractive relocation package is available, where appropriate, to a pleasant Cheshire location.

Please write in confidence to: Peter C. Evans quoting ref. CM/8,

KPMG Peat Marwick McLintock

Executive Selection & Search,
7 Tib Lane, Manchester M2 6DS

CLASSIFIED ADVERTISEMENT RATES

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Appointments	12.50	43.00
Commercial and Industrial Property	12.00	41.00
Saturday Property	6.00	25.00
Residential Property	9.50	32.00
Business Opportunities	13.00	44.00
Business for Sale/Wanted	12.00	41.00
Personal	9.50	32.00
Motor Cars, Travel	9.50	32.00
Contracts, Tenders	12.00	41.00
Book Page	—	22.00
Panel	—	30.00

Premium positions available

£9 per Single Column cm extra (Min 30 cms)

All prices exclude VAT

For further details write to:

Classified Advertisement Manager
FINANCIAL TIMES,
10 CANNON STREET,
LONDON EC4P 4BY

Assistant to Company Secretary

STOCKBROKERS

An opportunity exists for an energetic young person with a strong accounting background to undertake a wide range of secretarial and accountancy duties.

Responsibilities will include assisting in the production of management accounts, stock exchange returns and annual accounts. There will be, in addition, an involvement in compliance and implementation of Statutory Rules and Regulations.

Salary for this appointment will be negotiable, based on age and experience.

Please write with full CV including salary details to:

Mr D.J. Rayner
CL-Astaire & Co.
Limited
117 Bishopsgate
London EC2M 3TD

A MEMBER OF THE CREDIT LYONNAIS GROUP

Finance Director

Financial Services Sector
c£45,000 - £50,000 + car
Central London

Established by one of the leading and most influential names in financial services, our client has grown to become a market leader in the fields of Life Assurance, Pensions and Collective Investment Products.
To capitalise fully on this record and to further develop the company through both product diversification and acquisitions, a Director of Finance is to be appointed to take a leading role in the planning and development of the company's future growth.

As part of the senior policy-making team, the position will work closely with the Chief Executive and with the Marketing and Planning functions to help create and implement corporate strategy. Line management responsibility will be for over 50 staff and will cover all aspects of Financial Planning and Control and the continuing development of management information systems.

Candidates will be, ideally qualified Chartered Accountants, aged in their mid to late thirties who have gained substantial experience of controlling the finance function of a fast growing, market-driven company, in the financial services sector. Proven skill in contributing fully to the creation of corporate strategy at board level is essential.

Please write, enclosing a full CV and salary details, quoting reference MCS/2005 to:
Christopher Bainton
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Financial/Operational Investigations Manufacturing Industry

Based: Amsterdam — Salary: to £30,000

Our client is a highly respected $1400 million turnover US multinational company active in the manufacture, sales and distribution of automotive products. From their office in Amsterdam, they conduct a range of financial and operational investigations of their units throughout the world. These form part of an on-going corporate review procedure, designed to ensure that maximum levels of operational and procedural efficiency are maintained throughout the company.

As the result of an internal promotion, they wish to recruit an additional Senior Auditor who will take responsibility for the planning, control and supervision of assignments in various locations throughout the world. Self motivation and high level of independence are therefore prerequisites for this position which gives excellent opportunities to experience first hand the solution of operational problems.

The successful candidate, a qualified accountant aged 27-35, will have gained excellent experience of manufacturing operations within a large, possibly US organisation. Whilst previous audit experience would be an advantage, applicants who have worked in other project based or investigative financial functions will also be considered. Assignments are conducted throughout Europe, the Far East, Australia and South America. Knowledge of languages would therefore be an advantage.

Interested candidates should contact Charles Macleod, quoting Ref. 642 at Michael Page International, Amstel 344, 1017 AS AMSTERDAM, or telephone him on 010.31.20.26 67 76. Initial interviews will be conducted in London and Amsterdam.

MP

Michael Page International
Recruitment Consultants
London Amsterdam Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

SYSTEMS ACCOUNTANTS

Evaluation and Control

Berkshire — to £25,000 + mortgage etc.

Our client is a substantial division of one of the most influential financial groups. In conjunction with an overall information technology and systems strategy study, which will enable it to capitalise on its dominant position and provide further flexibility in its changing market, it has identified key roles for three young accountants.

The initial requirement is to form a new team to produce a series of essential reports on the many varied systems currently in operation – to review, evaluate and make cost effective recommendations on improvements.

These high profile roles will provide invaluable experience for future career development in a group offering extensive accounting and systems development opportunities. Hence they are seen as ideal stepping stones from the profession into commerce.

Applicants should be qualified accountants aged under 30 with audit or systems development experience. The anticipated structure of the team suggests that two should have post qualification experience, one of them having specialised in computer audit, and the third could be newly qualified.

Salaries are negotiable according to age and experience and the extensive benefits package includes relocation assistance where appropriate.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/641/PF

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT

COMMERCIALLY AWARE YOUNG ACCOUNTANT

For broadly-based role with broadly-based group

Up to £25,000 + car — City

Directing the finance function of any successful group is a task which calls inevitably for strong accounting ability; however, when the group's interests are as diverse as those of our client, there is an even greater demand for commercial acumen, forward thinking and planning skills. We are looking for a young (probably late twenties/early thirties) accountant with two or three years' post qualification experience, who will enjoy (and we use the word advisedly) the role of Chief Accountant/Company Secretary of this family owned Group. There should be no need to reproduce job description here–the right candidate will know, and have experience of, all the main tasks. The personal qualities needed are diplomacy, toughness without aggression, attention to detail and the power to anticipate problems. Systems are computerised so that literacy in this field is essential.

All this is a lot to ask of the targeted age group but in return the financial package is generous and the prospects for the future are indisputable.

Please send full career details to Bill Rench, quoting reference E7232.

Samuel & Pearce Recruitment Ltd.
Recruitment Advertising
4/6 George Street, Richmond upon Thames, Surrey TW9 1JY.

Corporate Accountant

Windsor
c£30,000 + car etc

Our client, the financial support services arm of a large international Investments Group wishes to recruit a competent and technically minded accountant to this new appointment which has arisen through continual and future business expansion.

Reporting to one of the Executive Directors, a Chartered Accountant by profession, the successful applicant will quickly assume responsibility for the preparation of Group consolidated accounts, statutory accounts, compilation of budgets, plus other ad-hoc projects covering many aspects of the Group's activities.

Suitable applicants, most likely Chartered Accountants, must have the ability to communicate effectively, identify and think creatively in a changing environment in order to work closely and successfully in a small but highly professional team environment. In addition they must be conversant with the usage of desk top computers. Those wishing to leave the profession and make this first move into commerce will also be seriously considered.

Commencing salary will be in the region of £30,000 per annum plus a fully expensed motor car, non contributory pension scheme arrangement, private health etc.

Applicants interested should write enclosing a full CV and current salary, quoting reference MCS/7219A to
Michael R Andrews
Executive Selection Division
Price Waterhouse
Management Consultants
Thames Court
1 Victoria Street
Windsor
Berkshire SL4 1HB

Price Waterhouse

A challenging offer from the UK's top pharmaceutical company to qualified Accountants with ambition and potential

You're a Qualified Accountant in your late 20s/early 30s, with at least two years' experience in a manufacturing environment, and a flair for systems work. Now you're looking for a real challenge – one that will give more scope and open up the path towards rapid career progression.

Wherever you've gained your experience, Glaxo Pharmaceuticals can offer you a challenging career. We're a leading subsidiary of the Glaxo Group, one of the UK's largest companies. Our continuing success is reflected by extensive manufacturing activity – a massive operation in which your abilities will be fully utilised.

Reporting to the Financial Manager (Technical), you'll be responsible for co-ordinating the development of advanced accounting systems for our three manufacturing sites and undertaking financial reviews.

Although you'll be based at our West London Head Office, regular site visits will be a key feature to ensure satisfactory liaison with both technical and financial management. You must therefore have the confidence to take a leading innovative role and the ability to communicate with others at every level.

At Glaxo, we'll fully recognise and reward your potential. Prospects of career progression are genuinely outstanding for our best performers, while immediate rewards include a remuneration package of up to £27,500 plus car and a comprehensive range of benefits. Find out more about the advantages of a move to Glaxo: write with a full c.v. to Malcolm Edgell,
Douglas Llambias Associates Limited,
410 Strand, WC2R 0NS.

- One of the world's top ten pharmaceutical companies
- Fourth largest company in the UK
- £155 million per annum spent on research
- 1987 sales totalled £1,741 million worldwide

Glaxo
Pharmaceuticals Ltd.

FINANCE DIRECTOR

CONTRACT CATERING SERVICES

West Yorkshire c£25,000 + car and equity

Our client is an expanding and ambitious company in the large scale contract catering business.

A finance director is sought who, as a member of the main Board, will play a significant part in all aspects of company development with a particular responsibility for finance and accounting. The company plans to go to the USM in due course and the finance director will be expected to play a leading part in this important stage of the company's growth.

Preferred applicants will be graduate chartered accountants, probably with a further management qualification, with experience to at least controllership level in an expanding company with dynamic information needs. Experience of developing computerised information systems is essential as is the ability to contribute to all aspects of the general management of the company.

Please send brief personal and career details, quoting reference F/117/M to Douglas G Mizon.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A MEMBER OF BLUE ARROW PLC

Group Treasurer

For a Substantial Multinational Group
London,
c £40,000, Car, Substantial Bonus, Share Options

This international manufacturing and marketing plc has a varied and expanding business portfolio with a current annual turnover in excess of £500m. The successful candidate will report to a main board Director and their key responsibilities will be to maintain and develop corporate banking relationships in the UK and overseas, recommend strategy on forex risks and carry out hedging as required, formulate forward plans for funding requirements and supervise LC and bank account routines. Applicants, aged 35 plus must have gained relevant treasury experience at a responsible corporate level in an international multicurrency environment. Personal qualities must include a flexible and diplomatic approach, an open and persuasive personality and a high level of drive and creativity. Overseas travel will be required from time to time. Candidates should submit in confidence a comprehensive cv or telephone for a Personal History Form to:
K. Carroll, **Hoggett Bowers plc**, *1/2 Hanover Street*.
LONDON, W1R 9WB, 01-734 6852. *Ref: H25001/FT.*

Finance and Accountancy Search & Selection Consultants

Opportunities for a Positive Career Change
London Based, Substantial Earnings Potential

There are not many chances to change career in your 30's; for most of us in Hoggett Bowers the change was dramatic and the start of a highly enjoyable, varied, demanding and rewarding new business life. The company is part of the rapidly expanding Blue Arrow Group, which is opening up many career opportunities. Following an intensive training programme, your task would be to identify potential business and to carry out executive search and selection assignments within the Accountancy and Finance fields. You will be expected to develop long-term client relationships and will enjoy considerable freedom in the management of your client base. We are particularly interested in hearing from people with successful managerial careers in Accounting or Financial Recruitment. You will probably be in your 30's, a graduate or professionally qualified and looking for an opportunity to grow in an interesting and challenging environment where your earnings directly reflect your own contribution. We ask a lot of you, but the rewards are high; an attractive substantial basic salary can be very significantly improved by the bonus you earn and the rest of the package is excellent.
P.A. Adderley: **Hoggett Bowers plc**, *1/2 Hanover Street*.
LONDON, *W1R 9WB*. **01-734 6852.** *Ref: L11024/FT.*

Finance Director - Retail

South West,
c £32,500, Bonus, Outstanding Benefits Package

In the last few years my client, a well known Retail Group, has undergone significant change. They have succeeded in growing organically and through acquisition, while at the same time implementing extensive modernisation of both premises and image. The flagship of the Group is a £100 million turnover supermarket chain and it is for this company that we now seek a Finance Director. *Reporting to the Managing Director your key task will be to manage and effect* change in a fast moving and growing organisation. A qualified Accountant, probably under 40, you will be technically sound with exceptional interpersonal and man-management skills. It would be an advantage if you have held a similar position in a smaller company, although this is not essential. The excellent benefits package includes profit based bonus and share option schemes designed to attract candidates of the highest quality.
K. Townrow, **Hoggett Bowers plc**, *30 Queen Square*.
BRISTOL, *BS1 4ND*, **0272-298433**: *Ref: D11030/FT.*

Financial Controller

A Challenging Opportunity in Precision Engineering
East Midlands, c £22,000, Excellent Benefits, Car

This highly profitable and expanding wholly owned subsidiary of a major US manufacturer are respected market leaders in their field. Capital investment, progressive management and product excellence provides a sound base for future growth. A manufacturing orientated ACA/ACCA, aged 30/35 years, is required to strengthen this committed management team and make a pro-active positive contribution to the Company's further expansion. Reporting to and working closely with the Finance Director, prime responsibilities will be the financial management of all the overseas subsidiaries, group consolidation and statutory requirements. Already successful and highly technically competent, candidates must display a logical disciplined approach, enjoy pressure and have excellent communication skills at all levels. Overseas travel will be required and experience of same would be useful. Relocation assistance, if necessary, is generous.
A. Hill, **Hoggett Bowers plc**, *Bank House, 100 Queen Street*.
SHEFFIELD, *S1 2DW*, **0742-731241.** *Ref: S12032/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

FINANCIAL CONTROLLER

– Director Designate –

NORTH LONDON **£20-£25,000 + car**

Our client, a successful major trading company specialising in furniture products, seeks a Financial Controller with a sharp eye for quality accounting to help take them into the next stage of their growth programme.

Reporting to the Managing Director, this will involve supervision of the accounts staff and total responsibility for the department and the preparation of all accounts, including the provision of management information. An initial challenge will be to work closely with a young dynamic management team to develop and implement a new computer system. You must be a self starter, ACA/ACCA qualified with strong organisational skills and a firm but friendly management style.

For further details, please contact Fiona Davidson on 01-631 0479 or 01-226 9700 (evenings and weekends). Alternatively please write to her, enclosing your CV, at Seer Selection Ltd, Marcol House, 293 Regent Street, London W1R 7PD.

Seer Selection
RECRUITMENT CONSULTANTS
SEER

ACCOUNTANT

£20,000 plus Banking Benefits

Our client is the rapidly expanding securities trading subsidiary of a European Bank. They now offer a unique opportunity for a young accountant seeking his/her first move into a demanding role within the financial services sector.

The position will involve taking control of the daily accounting functions as well as developing new systems and strengthening management information reporting. The successful candidate will be a newly qualified Chartered Accountant, preferably a graduate, with an excellent track record and exposure to computerised systems. He or she will be an enthusiastic self starter who wishes to gain a real understanding of the securities trading environment working within a small team.

To discuss this opportunity please telephone Sue Handley Jones or Joe Reilly on 01-583 0073 (047 483 2156 evenings/weekends) or send your detailed career summary to the address below.

BADENOCH & CLARK
LONDON • BIRMINGHAM • MILTON KEYNES • READING

THE FINANCIAL & LEGAL RECRUITMENT SPECIALISTS
16-18 NEW BRIDGE STREET, BLACKFRIARS, LONDON EC4.
6 LLOYDS AVENUE, LONDON EC3.

Financial Controller & Company Secretary

West End c.£23,000 + Car

Our clients are a well established group with interests in commercial property investment, management and agency; car parking and servicing; and wine wholesaling and catering.

The Company Secretary will be retiring in early 1989, creating the need to appoint now a Financial Controller and Company Secretary designate, to be responsible for all the Group's accounting and administrative affairs.

Candidates, who should be aged between 30 and 50, will have had experience at a senior level in accounting and administration in a dynamic, diversified, small to medium sized business with computerised accounting systems, and should be qualified Accountants or Chartered Secretaries. Benefits include a non-contributory pension scheme and medical insurance.

Please apply with a full CV including current salary and daytime telephone number, quoting reference 1511A, to:-

BinderHamlyn
MANAGEMENT CONSULTANTS
Roger Bull, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

EUROPEAN FINANCE DIRECTOR

EXECUTIVE OPPORTUNITY
INTERNATIONAL SPECIALITY CHEMICALS

GAF is a world leader in chemicals and building materials. With current revenues of approximately $120 million, our European subsidiaries play a major role in the business of selling chemicals produced in the U.S. and Europe, and in manufacturing and distributing filter products.

Due to internal promotion, we now offer a unique opportunity for a high energy hands-on business professional to manage and coordinate all the financial activities of our robust European operations from our new headquarters at Guildford.

Reporting to the Director of International Finance in the U.S. and our European General Manager, the Finance Director will supervise 10 European Subsidiary Controllers, an MIS staff of 4 and a Budgets Manager.

In addition to performing all Europe-wide control functions, the Finance Director will coordinate the following areas with the subsidiary controllers: taxes, insurance, MIS, audits and cash management. However, perhaps the most important responsibilities will be financial analysis, long and short term planning and budgets. The successful candidate for this key post will almost certainly be a qualified accountant, possibly with acquisition and/or joint venture experience and a background in the pharmaceutical or chemical industries.

He/she will definitely have a minimum of 15 years demonstrable business experience, some of which will probably have been gained with medium to large sales and distribution organisations, and at least 5 years spent with a multi-national taking responsibility for the financial aspects of European operations.

Good personal communication skills are vital, as you will be required to deal effectively at all levels, including liaising with government agencies.

Salary and benefits package will reflect the importance of this key post and is unlikely to be a limiting factor.

Please apply in writing to our recruitment consultants giving full details of career and current salary and benefits package.

Please address applications to:

GAF®

KEITH THOMAS,
LANSDOWNE RECRUITMENT LTD.,
PARK HOUSE,
207-211 THE VALE,
LONDON W3 7QB.

Financial Controller

c.£27,500 + Car

A substantial US quoted international practice of Architects and Design Consultants wishes to appoint a financial controller (director designate) who will be a major contributor to the financial performance of its UK organisation which will be the vehicle for expansion into Europe. This well respected practice has been established over 10 years in the UK and enjoys one of the leading positions in this market.

The appointment requires an outstanding individual with high professional standards, who can demonstrate the interpersonal skills and commercial judgement to be of considerable influence at board level. The Financial Controller will be expected to develop and enhance sound financial planning and control, with particular emphasis on monthly management information, project profitability, regular financial statements and statutory accounts together with business forecasts and budgets.

Applicants should be graduate Chartered Accountants aged 27-32 with several years relevant experience in the commercial or services sector or alternatively 2-3 years experience within the investigations department of a leading accountancy practice. Location Central London.

Please reply in confidence quoting ref. L 336 to:

Adrian Edgell
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

FINANCE MANAGERS

FRONT LINE ROLES FOR ACHIEVERS IN COMMERCE

c.£22.5K CENTRAL LONDON

The Data Network (DN) and Communications Facilities Management (CFM) are two key businesses within British Telecom Enterprises. Together they're rapidly revolutionising corporate communications in Britain with a growing customer base ranging from travel and retail to banking and insurance.

If they represent the leading edge of networking technology, they also reflect the new competitive edge within BT. That's why, in our search for two Finance Managers (one for each business), we're looking for commercially astute accountants capable of making a direct impact on business growth.

As Head of Finance within your respective division you'll be directly responsible for management accounting and commercial support. *This will involve advising senior* management on all financial and commercial aspects of the business, making investment appraisals, preparing budgets and ensuring financial controls and monitoring systems are in place. Your role will also have a wider dimension as part of a Group Finance Management team made up of your counterparts from other divisions of BT Enterprises. This will give rise to challenging ad hoc projects and further raise your profile within this dynamic organisation.

Clearly these are opportunities for ambitious, qualified Accountants with, *at the very least, a two year track record* of achievement in commerce. If not in a computing or electronics company then you should be in an environment where rapid responses to growth and change have been critical. Exceptional communication skills, both persuasive and diplomatic, are vital.

This move offers the best of both worlds – the challenges of a 'stand-alone' business on the one hand, the broad career scope of BT as a whole on the other. The rewards, too, are excellent, starting with a salary of c£22.5K.

If you're ready to grow with BT, please phone Paul Lewis on 01-356 7318 or write to him with your CV to: British Telecom, Personnel Department, 8th Floor, 2-12 Gresham Street, London EC1. Quote ref. FT91.

British TELECOM
British Telecom is an Equal Opportunities Employer

Financial Manager

CENTRAL LONDON **TO £25,000+CAR**

Our client is a well-established, rapidly expanding group of publishing companies. In recent years impressive growth has been achieved both through trading and by acquisition.

As a consequence, an opportunity has arisen for an energetic, qualified accountant to take responsibility for financial aspects of the business. Reporting directly to the Board and having responsibility for a staff of ten, the successful candidate will be a key member of the senior management team and will be expected to make a significant contribution to the company's future growth.

An attractive package including a car is offered, together with every opportunity for further advancement as a part of this successful and dynamic team.

Please send a full CV with handwritten covering letter to Mr. B. E. Ayres quoting ref: T300.

MOORES & ROWLAND
50 St. Andrew Street,
Hertford, Herts. SG14 1JA
MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED

Financial Controller

This famous Music Publishers, employing over 100 people and a member of the Granada Group, wishes to appoint a Financial Controller.

This senior management position, reporting to the Managing Director, will appeal to an ambitious and professionally qualified accountant. The successful candidate will be expected to take overall control of the Company's Accounts Department and will also be expected to play an important part in the general management of the Company which is entering an exciting growth phase.

The position, which is pensionable, will attract an appropriate salary plus car. Candidates should write in confidence, with a full CV including present salary, to:

Novello

Mrs B Platt, Personnel Officer,
Novello & Company Limited, Fairfield Road,
Borough Green, Sevenoaks,
Kent TN15 8DT

Novello is an equal opportunities Employer.

Hamilton Brothers Oil and Gas Limited

SENIOR AUDIT MANAGER

to £35,000 + car

Hamilton Brothers is a highly successful oil and gas company based in Mayfair with a wide spread of interests in the UK and Dutch North Sea together with UK onshore operations. Currently Hamilton are producing oil and gas fields and will be developing further fields in 1988.

To monitor these activities, due to the promotion of the current Audit Manager, Hamiltons wish to recruit a highly motivated accountant with responsibility to the Finance Manager.

The essential tasks will include setting a forward audit plan, directing audits of all major development projects and auditing all systems and procedures from a control and efficiency standpoint. Responsibility will also cover the review of joint ventures not operated by the company, operational audits in Aberdeen, contract reviews and ad hoc investigations.

Applicants must be qualified accountants, preferably graduates, with substantial experience of the oil or related industries and with particular emphasis on project and systems control, and operational efficiency. They must be mature, independent self starters with complete integrity. The company offers high rewards for outstanding performance.

Please write in confidence, with full career and salary details, quoting reference H/4321 to John W. Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR.

ACA

IMRO
c£25,000
Further high calibre ACA's with investigatory skills and City exposure are now required.

For further information on these roles at the Investment Management Regulatory Organisation Limited telephone Paul Wilson or Nick Root on 01-404 5751, or write to Michael Page City, 39-41 Parker Street, London WC2B 5LH.

MP
Michael Page City
International Recruitment Consultants
A member of Addison Consultancy Group PLC

MANAGEMENT ACCOUNTING

major financial services group

Central London **to £25,000 + extensive benefits**

As one of the major forces in the financial services sector, our client has very substantial and wide ranging interests, many of them market leaders.

The further development of its group management accounting function has created this key role for a qualified accountant. The position will provide the opportunity to contribute to the control procedures necessary to ensure the integrity of management information using advanced technology. Additional responsibilities will be the provision of accounting support to divisions within the group together with a number of ad hoc projects.

Aged under 30, applicants should be effective communicators with experience gained in a major professional firm or large group.

Salary is negotiable according to age and experience, benefits include a non contributory pension and low cost mortgage and further prospects are extensive, both at group and divisional level.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/665/AF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT

Important new compliance role for

Young Qualified Accountant

Financial Services

c£25,000 + car + Subsidised mortgage

Our client is a leading U.K. Financial Services Group, highly regarded in the City and by major institutional and private clients, whose continued success has been based on innovative product development and the sustained efforts of a highly professional management team.

This new post offers an exciting and challenging opportunity for a high-calibre young qualified (preferably Chartered) accountant ideally with between 1 and 4 years post-qualifying experience. Familiarity with a financial services environment would be useful, but is by no means essential.

Candidates will need a high degree of maturity, self-motivation and communication skills as well as the ability to rapidly acquire an in-depth understanding of the SIB/LAUTRO/IMRO rules, and apply them to the diverse operational, legal and technical issues involved in maintaining a new compliance function required under the Financial Services Act.

This high-profile role will report to the Head of Legal Department and Group Company Secretary, and after an initial period the encumbent will be appointed as the Compliance Officer with additional important duties and responsibilities.

Based at the Group's headquarters in north-west Surrey (close to M25) and with additional responsibility for the branch network, the appointment commands a progressive benefit package, including, where appropriate, generous relocation assistance, and, for an individual with drive and ambition, could act as an ideal spring-board for career development within this successful and expanding organisation.

For more information, call **Neil Wax** on **01-387 5400** (out of hours 0923 243033) or write in confidence to him at Financial Selection Services, Drayton House, Gordon Street, Bloomsbury, London WC1H 0AN.

financial SELECTION SERVICES

Systems Development Manager

East Midlands **c£25,000 + car package**

Our client is a dynamic, highly acquisitive textile plc (turnover c£50m) with subsidiaries based largely in the East Midlands and North West of England.

A high profile role has arisen for a Systems Development Manager to work on a project basis, assessing system development needs across the Group and managing their implementation at the subsidiaries. Although reporting to the Finance Director of the major group of subsidiaries based at the Head Office in the East Midlands, there will be considerable involvement on site at operating subsidiaries and newly acquired companies.

Applicants should be qualified Accountants with several years' experience of Computer Based Systems Development who can demonstrate the intellect, drive and inter personal skills required for successful project management.

Career prospects are excellent in this acquisitive Group. Interested applicants should contact Gary Watson on 0602 483480 quoting ref. 493 or write to him at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham. NG1 2EX.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Manager–Financial Control

Australian bank **to £20,000 + benefits**

YOU are aged 25-32 and currently work in the accounts function of a foreign bank. You are ready to take on more responsibility but the prospects of doing so at your present bank are decidedly bleak. You've just simply run out of headroom....

OUR CLIENT is the London branch of a major Australian bank. The branch has a young management team and is going places. In addition to its classic commercial banking business, it has become increasingly active as a trader in the newer range of instruments and in complex corporate finance work. In this new post you will have responsibility for the adequacy and application of all financial control procedures within the branch. Particular emphasis will be placed on the regulatory reporting and tax aspects of trading in new instruments/products and this will entail regular discussions with senior branch management and dealing staff. You will lead a financial control team of five and report to the Operations Manager.

To apply, you need not be a qualified accountant but you must have a progressive career record to date and the appetite to take on wider responsibilities in the future. The starting salary is negotiable to the level indicated and the usual foreign bank benefits apply.

All enquiries will be treated in strict confidence. Please send a brief curriculum vitae or telephone for an application form to Financial Institutions Group, Ref: 1078/GRG/FT.

PA
PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

HOLLIS

FINANCE DIRECTOR

Welshpool/Powys **c£28,000 + Car**

Floform, a member of the Hollis plc group and a specialist manufacturer of components for the electronic and automotive industries now seeks a top flight Finance Director.

Responsibilities cover all aspects of financial control and reporting, including the development of management information systems relevant to a manufacturing environment, as well as a significant commercial role in the company's development.

The successful candidate will be a qualified accountant aged 30-40 and is likely to have a strong manufacturing background including the design and operation of standard costing systems. They will also have the ability to communicate well at all levels.

Please reply in confidence with a comprehensive curriculum vitae including details of current earnings and a daytime telephone number to **D. E. Shribman.**

HUDSON SHRIBMAN
THE COMPLETE FINANCIAL SELECTION SERVICE
Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323

Assistant Financial Controller

A challenging development role for a Newly Qualified ACA. Excellent salary plus banking benefits.

Société Générale, a leading International Bank, is currently introducing an innovative new banking system and urgently requires an ambitious Accountant to support its successful implementation.

Working closely with the Bank's User Project Team, you will initially familiarise yourself with the new system and its applications and subsequently will carry out extensive user testing during its phased implementation.

This is a key role and requires a genuine "hands-on" approach and a large degree of self motivation and flexibility.

Aged 24/25, you will already ideally have gained some experience of banking. A knowledge of micro-computers and French would also be useful additional assets.

In return, we are offering an excellent salary plus a wide range of banking benefits, including assisted mortgage scheme, non-contributory pension, free medical insurance and a performance related bonus.

Please apply in the first instance to Mr. J.M. Crosby, Staff Manager, Société Générale, 60, Gracechurch Street, London, EC3V 0HD, enclosing a brief CV.

All applications will be treated in the strictest confidence.

SOCIÉTÉ GÉNÉRALE

ACCOUNTANT

Based Spain

Stakis Hotels & Inns, the fastest growing division of the multi £ million Stakis plc, now wishes to recruit a Qualified Accountant to join their Spanish subsidiary company.

The successful applicant, ideally a Spanish national or fluent Spanish speaker, will be based at the Stakis Resort Hotel Paraiso near Estepona on the Costa del Sol.

Responsibilities will include management of the Accounting procedures, together with the preparation of a monthly reporting system.

A competitive remuneration package is offered.

Apply in writing with c.v. to Alan Craig, Personnel Administration Manager, Stakis Hotels & Inns Ltd., West Mains Road, East Kilbride, Glasgow G74 1PQ.

STAKIS HOTELS & INNS

PA TO PARTNER £30,000 + SHORT TERM PARTNERSHIP CENTRAL LONDON

Career opportunity for a young, hard-working ambitious ACA to assist with the development of this thriving practice. Unlimited potential is offered to a confident and commercially aware candidate capable of making a positive contribution to future expansion plans.

Contact: David Paton: 01-734-4836. Alternatively write to:- Executive Search Division, Finance Recruitment, 2/3 Golden Square, London, W.1.

Strategic Consultancy

London **to £45,000**

We are currently acting for an international firm of strategic consultants with an established reputation among the leading firms in this field.

As part of a planned programme of growth, they are now seeking to recruit a number of consultants to join their organisation. Career prospects are excellent and will lead to significant advancement, both in the short and long term, with partnership as a realistic probability.

Candidates will:

* be aged between 26 and 32
* possess a recognised University degree with a minimum upper second grade
* *have obtained a professional qualification and/or an MBA from a major business school*
* display evidence of achievement in their personal and professional life.

Interested candidates should write, with curriculum vitae, to **Paul MacIldowie ACA, Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH quoting reference 470.**

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Financial Controller

C. London **£35,000+Benefits**

Our client is one of the largest international insurance broking groups. Principal activities include both insurance and reinsurance broking with market sector domination in specialist areas.

A financial controller is required to fulfil a key position which entails significant exposure to senior management throughout the group, and will play a major role in the further development of the accounting function.

Key responsibilities include financial and management reporting, planning and forecasting, cash flow management, foreign currency exposure, and the enhancement of management information systems.

Applicants must be graduate qualified accountants, aged 30-36, assertive, commercial, with previous man-management and financial sector experience.

Promotion prospects for the successful candidate within this expanding Group are excellent.

Interested applicants should write enclosing a comprehensive CV and daytime telephone number quoting ref: 469 to Jon Anderson ACMA, Executive Division, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Investments and Corporate Accountant

City **c£30,000 package**

Our client is a British Group, with interests in manufacturing, construction, mining and investments. An opportunity currently exists within the finance and fund management areas, where investment portfolios are valued in excess of £150 million.

Key responsibilities of the position comprise the control of the accounting function for finance and investment companies within the group. Other areas of involvement will include the preparation of financial and management accounts, and the maintenance and development of computer systems.

A qualified accountant, the ideal candidate will have experience of investment accounting and computerised systems. The ability to communicate effectively at all levels, manage staff, and the maturity to hold a position of responsibility are also essential to this appointment.

If you feel that you can meet this challenge, contact Diane Forrester on 01-831 2000 or write to her at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Finance Director

E. Midlands **c£30,000 + Bonus + Car**

Our client is a highly profitable, rapidly expanding, £50m t/o subsidiary of a major international group, engaged in specialist process manufacturing.

They wish to appoint an exceptional, young Finance Director, who will assume total responsibility for the finance and data-processing functions. Key areas of involvement will include redesigning the financial control procedures, implementation of a fully integrated manufacturing management control system and controlling a major capital investment programme. The successful applicant will also be expected to work closely with the Managing Director in the areas of business planning and acquisitions.

Candidates, aged 28-35, should be qualified accountants, of graduate intellect, who can demonstrate rapid progression based on high levels of achievement in their career to date, together with above average energy, flair and inter-personal skills.

Relocation facilities are available where appropriate. Interested applicants should write to Alan Dickinson ACMA, quoting ref 5013 at Michael Page Partnership, Imperial Building, Victoria Street, Nottingham NG1 2EX. (Tel: 0602 483480).

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Young Finance Director

MOD supplier
Hampshire and elsewhere **£27,500**

There is considerable growth potential for this £10 million turnover company, a subsidiary of a profitable and acquisitive plc, which is a leading supplier of specialist products for defence purposes on a worldwide basis. The recent acquisition of this business by the group creates the need for enhanced planning, reporting and control systems in line with group standards, and the sophistication of the accounting input within the company. The post offers an excellent opportunity for a qualified accountant in the early to mid-thirties to join a small management team dedicated to a significant expansion of this enterprise.

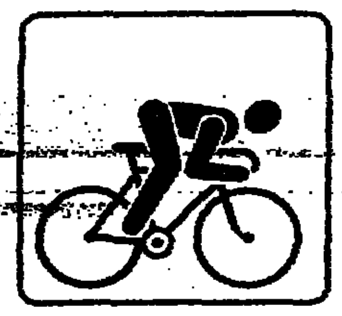
The ideal background will include financial and management accounting experience in a division of a large company with an international dimension, and an exposure to MOD audit requirements. Success in this role will generate interesting career paths in the parent company. Remuneration will include financial performance and personal achievement bonuses, an executive car, and relocation arrangements to the Hampshire head office will be available. Similar posts may well occur elsewhere in the UK as the current acquisition programme is realised.

Please send detailed cv, indicating current salary details, to Michael Egan, Ref: 1825/MJE/FT.

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874



Lead the field in a fast growing food company

Financial Controller **Age 28 upwards**

- Salary to £30k + car
- FD Designate role
- Pension scheme
- Central London location
- £100m UK turnover
- Fast growth record

Our client is the market leader among importers of meat with particular emphasis on distribution and processing of food products in the retail and food service trades. The UK subsidiary of an international company, it is experiencing enormous growth and is poised for expansion into related areas of business.

A Financial Controller is now required to take complete responsibility for the financial management of the UK company. The position reports directly to the Managing Director and duties will include assessing the viability of new ventures and investments as well as overseeing the finance function and the development of systems. A Board appointment for the right individual is likely after a suitable qualifying period.

Suitable candidates will be qualified ACA's with post qualification experience in a commercial role or CIMA/CACA's who have trained in a Blue Chip environment. You should demonstrate commercial awareness, computer literacy and the ability to make a pragmatic input into the growth and direction of the company. Experience of project work and managing staff is also desirable.

Written applications, enclosing a comprehensive CV should be submitted in strict confidence to Malcolm Edgell BSc FCA or Pippa Curtis BA, at Douglas Llambias Associates, 410 Strand; London WC2R 0NS, quoting reference 8194.

FINANCIAL & MANAGEMENT RECRUITMENT CONSULTANTS
DOUGLAS LLAMBIAS
LONDON LIVERPOOL MANCHESTER ABERDEEN EDINBURGH GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS
TELEPHONE: 01-836 9501

EXECUTIVE JOBS

YOU EARN OVER £25,000 P.A. AND ARE SEEKING A NEW TOP EXECUTIVE APPOINTMENT

In the accountancy or financial field Connaught's team of professionals, all of whom *have had experience at managing director level, can help you.*

Connaught's successful Executive Action Plan helps you find appointments quickly and discreetly, particularly in the area of unadvertised vacancies.

Contact us for an exploratory meeting without obligation.

If you are currently overseas, ask for our Executive Expat Service.
32, Savile Row, London W1X 1AG. Tel: 01-734 3879.

Connaught

Management Information Services

CONSULTING PROFESSIONALS

Cyprus and The Gulf
Substantial Tax Free Remuneration & Benefits

Touche Ross Saba & Co one of the leading international management consulting firms established throughout the Middle East, are currently experiencing an impressive rate of growth. To meet the needs of a substantial client portfolio a number of well-qualified experienced professionals are to be appointed to manage MIS assignments.

The successful candidates will have:

- **A first class educational background, ideally with an MBA and/or professional qualification.**
- **Extensive exposure to the development and implementation of advanced information systems in commerce/industry utilising mainframe through to micro-system technology.**
- **Experience in managing MIS projects, either as in-house managers or as external consultants.**

The first such senior appointment will be located in one of the most attractive Gulf States for an anticipated 3-4 years, after which the Consultant will most likely be based at the Cyprus Regional Headquarters or, if desired, London.

This is a career appointment and provides an opportunity for professional development and capital accumulation with a tax free negotiable remuneration package which will include:

- Free furnished married status accommodation and utilities • Local transport • Family medical and dental cover • Educational assistance for up to 3 children with two air fares per year for children educated in the country of origin • 30 days annual home leave (with air fares)

It is expected to make an early appointment. We would like to hear from those prepared to meet a challenge in an ideal working and family environment.

Telephone for more information or write in confidence to:

W Martin Dyas
SABA & NAGLE INTERNATIONAL LIMITED
135 Notting Hill Gate, London W11 3LB.
Telephone: 01-221 2996

SABA AND NAGLE INTERNATIONAL

International Banking ...

INTERNAL AUDITOR

City **to £25,000 + benefits**

Our client is the London branch of a first class, highly reputable European bank with an established presence in the U.K. market. The bank provides a broad range of banking services to a substantial client base throughout the U.K. and Ireland.

Reporting directly to the General Manager and the bank's Head Office, this position plays a vital role in evaluating established controls and assessing compliance with policies and procedures. You will be independently responsible for the review and audit of all operational units of the bank.

The opportunity will therefore appeal to you if you are an exceptionally able accountant wishing to move into banking from the Profession. Alternatively, with an excellent academic background, you may already be working within the audit function of a bank. In either case you will ideally have had some exposure to new Treasury instrument accounting procedures, and computer systems.

This is an excellent opportunity to become closely involved in the continuing appraisal of systems and operations within an expanding organisation. Salary will be commensurate with qualifications and experience, together with an attractive benefits package.

In the first instance please contact Anita Harris on 01-606 1706 or write to her at 127 Cheapside, London EC2V 6BU.

Financial Recruitment Specialists Anderson, Squires

Banking c£21,000

(inc. mort. sub.)
Qualified accountant to join Projects Team in prime American bank. The work is varied and interesting and prospects are excellent. 25-38 years.

Telephone Shelagh Arneil **01-583-1661** or send cv to her in confidence.
asb Recruitment, 50 Fleet Street, London EC4Y 1BE.

CORPORATE ACCOUNTANT

Applied Communications Inc of the USA, the world's most popular EFT software Vendor is seeking a highly qualified dynamic and ambitious young Accountant for a two year special assignment in connection with a US related project in the UK, working out of Applied Communications UK Ltd offices in Watford. The ideal candidate will have a degree level US accounting qualification, at least four years general accounting experience, and an intimate knowledge of US accounting procedures and income tax matters. A CA qualification and first hand experience in the use of computers would be an advantage. A competitive salary and excellent benefits package will be offered to the right candidate. Please reply with CV to:

Box A0712, Financial Times,
10 Cannon Street, London, EC4P 4BY

FINANCIAL CONTROLLER

West London c. £25,000 + car

This is a new appointment to strengthen the management team of this successful young company which is part of a substantial manufacturer and supplier of a broad range of consumer goods to the retail majors.
The company, which has a turnover in excess of £30m, imports and distributes the non-UK sourced products. The management team is young and operates with considerable autonomy, particularly on sales and product development.
The Controller will take charge of a small, well run department and, in addition to managing the company's finances including foreign exchange purchasing, will handle various aspects of the administrative operations. Computer systems, both mini and PC based, as well established and the F.C. will be expected to contribute to their continued development.
Candidates should be young qualified accountants with management experience and a commercial background. Specific distribution/fmcg experience will be highly relevant.
To apply, please send full career details in confidence to Mike Smith, quoting reference 9547.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Financial Director
(Designate)

Yorkshire c £25,000 + Car

Our client is a well established rapidly expanding and profitable, privately owned computer hardware and software engineering house. They are market leaders in the development of unique computer products and customised software for a wide variety of specialist markets internationally. They have a total commitment to technical excellence.

Further dynamic growth has created the need for the financial management of the business to be controlled at Board level by a full-time professional.

Reporting to the Managing Director you will be responsible for all financial and management accounting matters and the further development of computer based accounting systems to meet the ever more demanding needs of the business.

Our ideal candidate will be a commercially oriented, qualified Accountant with the management skills and the drive and personality to work as a member of a closely knit and dedicated Senior Management Team, whose style is very definitely 'hands on'. You must be sufficiently computer literate to be able to lead the ongoing development of the Company's computerised information systems.

Experience of the raising of equity capital and the conditions leading up to a Stock Exchange listing are important plus points. It is essential that you can become fully effective and for your Board appointment to be confirmed within six months of starting. Prospects for personal career development are excellent as are the conditions of employment.

There should be an opportunity for equity participation within three years.

Please telephone for an application form (calls are answered 24 hours a day) or send comprehensive curriculum vitae quoting reference number DP/808 to:

Roy Longworth
THE JOHN DALTON PARTNERSHIP LIMITED,
4 Post Office Avenue,
SOUTHPORT PR9 0US.
Tel: Southport (0704) 38776

(Applications are open to both male and female candidates)

THE JOHN DALTON PARTNERSHIP LIMITED
Management Selection & Recruitment Consultants

CLASSIFIED

ADVERTISEMENT RATES

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Appointments	12.50	43.00
Commercial and Industrial Property	12.00	41.00
Saturday Property	6.00	25.00
Residential Property	9.50	32.00
Business Opportunities	13.00	44.00
Business for Sale/Wanted	12.00	41.00
Personal	9.50	32.00
Motor Cars, Travel	9.50	32.00
Contracts, Tenders	12.00	41.00
Book Page	—	22.00
Panel	—	30.00

Premium positions available
£9 per Single Column cm extra (Min 30 cms)
All prices exclude VAT

For further details write to:

Classified Advertisement Manager

FINANCIAL TIMES,
10 CANNON STREET,
LONDON EC4P 4BY

FINANCE DIRECTOR

TO £35,000 + CAR + SHARE OPTIONS *£100M DIVISION*

This important division of a household name public group is a clear market leader in its sector. It is backed by a parent company which in turn dominates several expanding consumer markets and which is aggressively acquisitive. The division enjoyed a 26% sales increase last year.

The Divisional Finance Director will play a key role in a small central management team and will have total responsibility for financial control and management information. The objective is to create a high quality, proactive finance team which will contribute to commercial decisions at all levels. A priority will be the implementation of improved computerised systems.

The person appointed will be a qualified accountant aged in his or her mid to late thirties. You should have experienced financial management in a large company environment including systems implementation and team leadership. On a personal level, you should combine drive with tolerance and a questioning approach with maturity. Excellent interpersonal skills are prerequisite.

Please reply in confidence giving concise career, salary and personal details to our advisor, Heather Male, quoting Ref. L301, at Slade Egor International Ltd, Metro House, 58 St. James's Street, London SW1A 1LD. Tel: 01-629 8070.

International Search and Selection

SLADE EGOR INTERNATIONAL

ALPS ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3576 Telex 887374

An exciting and demanding position. Scope to move into line management in Corporate Finance or elsewhere within the Bank in 24–36 months.

MANAGEMENT ACCOUNTANT — CENTRAL EXECUTIVE

CITY £20,000–£25,000 + MORTGAGE SUBSIDY

LEADING BRITISH MERCHANT BANK

This vacancy is open to Accountants (A.C.A., A.C.C.A., A.C.M.A.) aged 24–28 who have acquired a minimum of two years' practical experience gained in either a large industrial company or financial institution utilising modern and computerised techniques in financial analysis. Reporting to a member of the Executive Committee responsibilities are widely drawn and will include both regular provision of financial information, interpretation of management accounts and operation of controls, as well as ad hoc projects in close consultation with the Chief Executive and with line departments. A positive, mature, well-balanced and extrovert manner is important and the individual must be able to demonstrate sound commercial judgement. Initial salary negotiable £20,000–£25,000 plus profit incentive, subsidised mortgage facility, non-contributory pension, free life assurance, free family BUPA and assistance with relocation expenses if necessary. Applications in strict confidence under reference MACE147/FT to the Managing Director:

ACCOUNTANCY & LEGAL PROFESSIONAL SELECTION LTD, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ
TELEPHONE: 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 256 8501

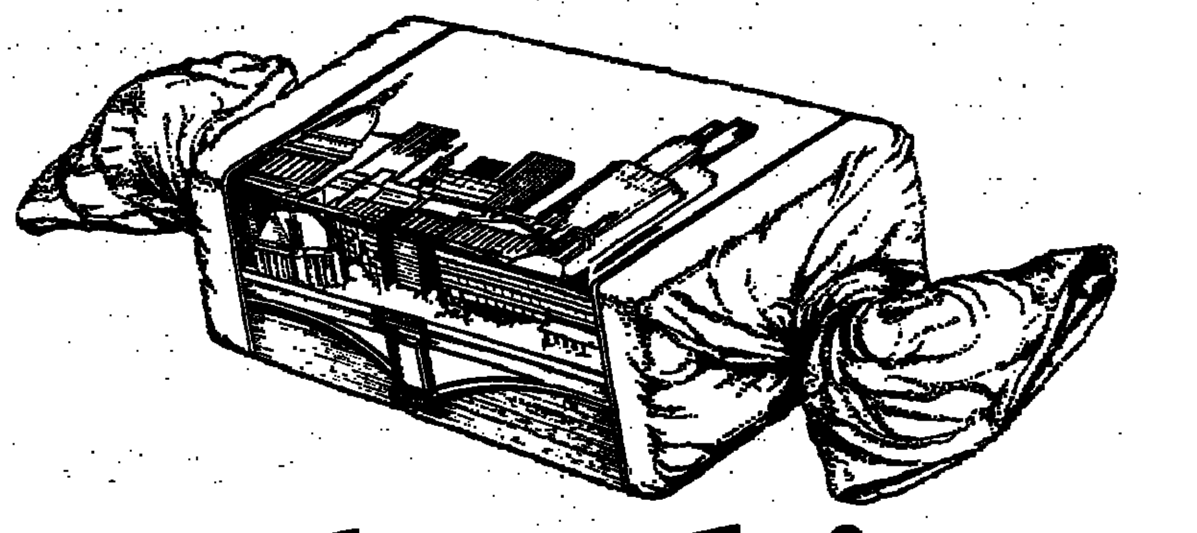
South Berkshire BORLAND INTERNATIONAL **£25k + car + Share Option**

FINANCE MANAGER

Due to their continued success world-wide, our client Borland International, one of the world's largest independent publishers of micro computer software, have recently relocated their UK subsidiary to prestigious new Headquarters in Berkshire.
An exciting opportunity has arisen for a newly qualified chartered accountant, ideally under 30, with at least a year's commercial experience, to further develop the finance function with the support of three accounting staff.
This is a challenging and rewarding position that offers genuine career opportunity for those interested in developing management information systems and all aspects of the UK accounting function in what is a high profile and stimulating role.
A knowledge of French would be advantageous as there will be occasional travel to the European Headquarters.
For further details please contact Brett Melbourne at the address or number below. Telephone (0753) 854256

Management Personnel
51 High Street, Eton, Windsor, BERKS SL4 6BL

Young management accountants for exceptional City consultancy role



Take a bite

London To £38,000 + benefits

Here is a real challenge to sink your teeth into.

As a bright and ambitious young accountant, with first class management accounting experience, you could have the opportunity to experience the taste of working for the widest possible variety of City firms and institutions.

Our client is a leading international management consultancy providing high level strategic planning, operating methods and systems advice to clients throughout the banking, insurance, securities and investment management sectors.

They now seek to recruit two experienced management accountants to add further weight to their rapidly expanding financial services division and to provide clear and incisive advice on the improvement and development of client management accounting procedures.

Applications are invited from qualified accountants, probably ACMAs or ACAs, who have cut their teeth on sophisticated management accounting systems, probably within a blue chip industrial or commercial company environment.

Aged 28-32, you will possess a first class academic record as well as strong interpersonal and presentation skills. For the successful applicants, the rewards are exceptional. The package includes a base salary to £38,000 plus all the normal sweeteners that one expects in working for a highly successful major international firm.

If you are hungry for success, consider the advantages of working in a fast growing and highly competitive yet team environment where career progression is based solely on merit. To sample the flavour further, contact **Trevor Atkinson FCA**, at the address below, **quoting reference 8203.**

OFFICIAL SPONSOR 1988 BRITISH OLYMPIC TEAM

MANAGEMENT CONSULTANCY RECRUITMENT DIVISION
DOUGLAS LLAMBIAS
LONDON · LIVERPOOL · MANCHESTER · ABERDEEN · EDINBURGH · GLASGOW
DOUGLAS LLAMBIAS ASSOCIATES LIMITED. 410 STRAND, LONDON WC2R ONS
TELEPHONE: 01-836 9501

ACCOUNTANT CONTROLLER

£18,500-21,500 package Group of N. London Co's Management & Consolidated Accounts. Not necessarily Qualified. Sound character & ability to advise on all financial affairs. Age 25-35.

COMPLIANCE ACCOUNTANT

£20,000 neg. A prominent city institution urgently requires a motivated qualified accountant (preferably with exposure to futures). Excellent opportunity for a rewarding and interesting career outside the profession.

AUDIT MAN'R

£24-28,000 + package OPEN ON AGE - Fast growing, London, medium C/A's who are building for the future. Audits £10-60m T/O include PLC's. Every prospect for partnership.

MERIDIAN ACCOUNTANCY REC CONS.
25 MUSEUM ST. WC1A 1JT
01-255 1555

DEPUTY CHIEF ACCOUNTANT
INTERNATIONAL BANK
c. £30K + BANKING BENEFITS

Our client is a long established City-based International bank. It is committed to further strengthen its Finance Function with the recruitment of this key position – a result of organisational changes taking place.

You will be a Qualified Accountant (mid 20's – early 30's) of at least 2 years proven experience gained either through bank auditing (external or internal) or in working within the accounting function of an International Bank.

You will also deputise for the Chief Accountant in his absence and assist with the supervision of the Accounts Department. Specifically you will be involved with the monitoring of the day-to-day accounting tasks, the development of management information, costing, budgetary control, and in the preparation of statutory returns.

Familiarity with banking information technology and P.C. applications software is desirable.

Please apply in confidence by telephoning the retained consultants (ALASTAIR PRIMROSE or RICHARD LOVERING) on 01-637 5277 or send a comprehensive curriculum vitae including salary history and daytime telephone number.

PSL PRIORITY SELECTION LIMITED
1-3 Mortimer Street London W1N 7RH. Telephone 01-637 5277
Telex: 2992307 FCENTG Fax: 01-636 6723

H. YOUNG HOLDINGS PLC

H. Young Holdings PLC requires a Financial Controller for its newly formed "The Young Optical Group" which combines the business of two of its subsidiaries, 20th Century Visions and The Crofton Optical Group which distributes optical frames, lenses and sunglasses.
Applicants must be qualified accountants probably in their early 30s. The successful candidate will be responsible to the Chief Executive of "The Young Optical Group" and to the Financial Controller of H. Young Holdings PLC and will be based in the London area. Attractive salary and benefits are offered.

Please apply to Mrs E. J. Johnston, Financial Controller, H. Young Holdings PLC. 5 Gravel Hill, Henley on Thames; Oxon RG9 2EG

Finance Director

W. London c£27,500 + car

This is an exciting and challenging opportunity for an entrepreneurial accountant to join a successful and expansion-minded group (T/O £7m) providing specialised products and services to the construction industry. He/she will work closely with the Managing Director and contribute directly to the decision making process. Supported by a small team, this is very much a shirt-sleeve job involving full responsibility for the accounts department and all company secretarial and legal matters. A priority will be the development of the existing computerised system. Applicants must be qualified accountants, preferably in their late 20's. Ref: 1468/FT. Write or telephone for an application form or send full details (with daytime telephone number and present salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

INTERNAL AUDIT MERCHANT BANKING

Standard Chartered Merchant Bank is seeking an auditor to join its Internal Inspection team.

The role will provide a broad exposure to the Bank's diverse activities and should prove a challenging environment for an articulate young accountant with a talent for problem-solving.

The successful candidate will be involved in reviews of controls and systems as well as special projects with the emphasis on recommending improvements to operational procedures. They will be computer audit skills and knowledge of compliance procedures. The confidence, initiative and personal credibility to sustain the co-operation of senior management will alos be essential.

Applicants should have a good academic record with experience of the financial services sector, preferably in banking. An attractive remuneration package is offered which will reflect the individual's ability to make an immediate contribution.

Those interested should apply in writing, and in confidence to:-
Peter Llewelly, Personnel Manager,
Standard Chartered Merchant Bank Limited,
33-36 Gracechurch Street, London EC3V OAX

Standard Chartered
Standard Chartered Merchant Bank Limited

Internationales Konsortialgeschäft

Unsere Auftraggeberin ist eines der bedeutenden deutschen Kreditinstitute mit Sitz in Frankfurt. Zur Betreuung und zum Ausbau vorhandener sowie neu zu schaffender internationaler Kundenbeziehungen für die Durchführung von Emissionsvorhaben, insbesondere in Nordamerika, ist das Haus daran interessiert, einen qualifizierten, international ausgerichteten

Kapitalmarktexperten

als neuen Mitarbeiter zu gewinnen, um ihn mit der Leitung des für das vorgenannte Marktsegment vorhandenen und bewährten Teams als

Abt.-Dir.
Konsortialabteilung

zu betrauen. Adäquate Interessenten sollten weitgehend über folgende Attribute bzw. Voraussetzungen verfügen: Abgeschlossene Ausbildung zum Bankkaufmann sowie Hochschulstudium der Betriebs- oder Volkswirtschaft; ausgeprägte Kenntnisse internationaler Kapitalmärkte – vorzugsweise in der westlichen Hemisphäre –; Kreativität und analytisches Denkvermögen, gepaart mit der Erfahrung im Einsatz der Dienstleistungsprodukte; Akquisitions- und Verhandlungsgeschick; Beherrschung der englischen Sprache in Wort und Schrift; sicheres Auftreten zur Betreuung institutioneller Kundschaft; die Befähigung zu einer überzeugenden Mitarbeiterführung; Loyalität, Kollegialität und Diskretion.

Der neue Stelleninhaber wird der hohen Bedeutung der Position entsprechend mit allen notwendigen Kompetenzen ausgestattet und interessant honoriert.

Zur Vorbereitung eines persönlichen Gedankenaustausches übersenden Sie uns bitte Ihre kompletten Bewerbungsunterlagen. Selbstverständlich stehen wir Ihnen vorab für ein fernmündliches Gespräch unter dem unten angegebenen Telefonanschluß zur Verfügung. Absolute Diskretion sowie die Einhaltung von Sperrvermerken sichern wir Ihnen zu.

H.-G. HENRICH
Unternehmens- und Personalberatung GmbH
8000 München 81, Arabellastraße 15, Telefon 089/912025
München – Frankfurt

CORPORATE FINANCE MANAGERS

International CA's — c £20,000
Central London — + car

Ernst & Whinney is a leading firm of accountants with an impressive record of growth in its Corporate Finance business.

New market initiatives have created a number of outstanding career opportunities for professionals in their mid to late twenties with relevant experience of one or more of the following:-

Management Buy-Outs
Fund-raising
Acquisitions and Mergers
Share Valuation
General Financial Advice

Key to your success will be the ability to manage a number of challenging assignments, the ability to communicate effectively at all levels and a keen sense of commercial flair.

For those demonstrating real commitment and ability, prospects in this exciting area will be first-class.

Please write with full c.v. to
Barry Compton, Ernst & Whinney,
Becket House, 1 Lambeth Palace
Road, London SE1 7EU.
Telephone: 01-928 2000.

Ernst & Whinney
Accountants, Advisers, Consultants

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A MEMBER OF BLUE ARROW PLC

Assistant Director of Finance

Major Insurance Company
South East, c £40,000, Car, Excellent Benefits

This respected major insurance group has its operational headquarters in a most attractive part of the country. It is a strong demanding organisation employing nearly 1,000 staff in the U.K. and overseas and is expanding both in traditional and newly developed markets. The accounting function is well organised with systems and controls producing timely and well formulated financial information. Reporting to the Finance Director, the successful candidate will lead a team responsible for operational and investment accounting and will take a pro-active role in developing the efficiency and effectiveness of the department. Applicants should be Chartered Accountants, ideally in their thirties with experience of advanced U.S. accounting practices and the financial services industry. Personal qualities required include the maturity, man-management capability and commercial acumen to succeed in this vital position. Generous relocation terms will be provided if required.

I.L. Duff, **Hoggett Bowers plc**, *1/2 Hanover Street*,
LONDON, W1R 9WB, 01-734 6852. *Ref: H14026/FT.*

Senior Financial Executive

Retailing
Midlands, c £35,000, Car

This large High Street retailer has undergone major restructuring, accomplishing decentralisation, the extension of business interests by both acquisition and new ventures, in addition to significant investment in retailing information technology. Reporting to the Divisional Finance Director and heading a team giving support to individual business managers, the overall objective is to facilitate the improvement of decision making and the implementation of effective financial controls, in order to increase profitability within this changing culture. Full participation in the commercial decision making process at a senior level is an integral part of the role. Possessing commercial acumen and an accountancy qualification, aged at least early thirties, you will combine a sound financial background in retailing, operating modern systems and technology, with strong interpersonal skills and management ability. This is an exceptional career opportunity.

J.R. McGallan, **Hoggett Bowers plc**, *Castle House, 74 St James's Street*,
NOTTINGHAM, *NG1 6FJ*, **0602-412019.** *Ref: E12026/FT.*

Finance Director

Peterborough Region, c £30,000 Package, Car

This independent company has gone from strength to strength in the field of electronic communication systems for civil and defence applications. Profits are excellent and turnover is growing fast. The Finance Director will make a major contribution to policy and strategy, as well as developing top quality information systems and managing the financial function. You should be a qualified accountant and have held a senior financial position in a successful and progressive company; treasury and export experience would be valuable, but above all you must be a capable manager, strategist and ideas person, keen to make a major contribution to a company with an exciting future. This is an excellent career opportunity which will give you the chance to grow in a fast moving operation with City links. The package consists of a high basic salary, together with share options, success related bonus, quality car and relocation assistance to this very attractive area, which is easily accessible and has excellent schools, realistically priced housing, first class recreation facilities and a high quality of life.

C.W. Theaker, **Hoggett Bowers plc**, *13 Frederick Road, Edgbaston*,
BIRMINGHAM, *B15 1JD*, **021-455 7575.** *Ref: B12035/FT.*

Systems Accountant

St Albans, c £23,000, Car, Benefits

Our client, a large and successful plc with a diversified business base has grown rapidly over the last 5 years by way of acquisitions and organic growth. As a result of this expansion the company now wish to appoint a Systems Accountant. Working as part of a select 3 man team in the Management Information Department you will provide a key link between Accounting Departments and Computer staff. Major projects using 'Oracle' on Prime computers and p.c.'s are about to start streamlining the flow of Management and Accounting information. The ideal applicant will probably be a Qualified Accountant aged 25-35 having worked in developing systems for 2-3 years and seeking the challenge of a fast moving and dynamic company.

A.T. Matthews, **Hoggett Bowers plc, Accountancy Division**, *1/2 Hanover Street*,
LONDON, W1R 9WB, 01-409 2766. *Ref: 326/FT.*

Mature Qualified Accountant

East London, c £20,000, Car

The company is a highly respected Non-Manufacturing firm with a turnover in excess of £6 million. Reporting to the Company Secretary, the successful candidate will be between 40-45 years of age, fully qualified and ideally have had experience of working in a medium sized company. You will be responsible for the daily financial activities of the company, dealing with ledgers, salaries and currency evaluations. The applicant will possess strong interpersonal skills, have an appreciation of accounting systems and will enjoy being part of a small and profitable company. The company provide a good salary with a beneficial bonus scheme and a private family medical scheme.

D.R. Evans, **Hoggett Bowers plc**, *1/2 Hanover Street*,
LONDON, *W1R 9WB*, **01-734 6852.** *Ref: H19021/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

Head of Finance & Administration

c. £27,000 pa
plus accommodation

Newmarket

Our client, the Animal Health Trust, is the only charitable institution in the United Kingdom working full time on the diseases of animals, their diagnosis, cure and prevention.

The Trust, which was founded in 1942, supports rigorous scientific method with business-like administration. This will be enhanced by appointing a Head of Finance and Administration to assist the Director co-ordinating all non-scientific matters.

A qualified accountant is required whose *professional knowledge includes computerised* accounting for multiple cost centres, MIS, asset management and investment of funds. Experience of structured administration, preferably in a *scientific environment or charitable trust, is also* called for.

The salary and pension arrangements for this post are linked to University levels and superior rent-free accommodation is available.

Applicants are asked to write, quoting reference 1503 and with a full cv, current earnings and a day-time telephone number, to

BinderHamlyn
MANAGEMENT CONSULTANTS

Trevor Austin, Executive Selection Division,
Binder Hamlyn Management Consultants,
8 St. Bride Street, London EC4A 4DA.

Corporate Finance Advisor

Stockbroking — City
£20,000 Plus + Profit/Performance Bonuses

Our client, a well established medium-sized stockbroker is developing a specialist corporate finance service for companies capitalised up to about £40m. The work concentrates on USM and full listings, equity placings, financial/management restructuring and acquisitions.

The successful applicant will act as deputy to the departmental head taking a great deal of responsibility for day to day operations and client contact – and will be expected to take early accountability for specific projects. This is the first step in a planned expansion and candidates must be of sufficient calibre to be seen as a potential manager and business developer.

Three to five years' experience of corporate finance gained in banking, broking or an acquisitions minded commercial concern is required. ACA/ACCA/MBA qualifications are an advantage but not a replacement for sound experience – entrepreneurial skills are sought also. Salary is negotiable and bonuses should add substantially to remuneration. Please forward a full CV with salary history quoting reference number LM645 to Terry Fuller, Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1Y 7AH.

Spicer and Pegler Associates
Executive Selection

Development Accountant/MBA

£neg + car — Epsom, Surrey

Finance as a strategic career development step

Beecham Pharmaceuticals has an international reputation for the successful innovation, manufacture and marketing of a wide range of ethical pharmaceutical products.

Increased involvement in the resourcing of research and development has led our Finance Director to create a new position within his department which calls for the appointment of an exceptional individual.

A good communicator and creative thinker, you will assist in strategic planning exercises and will see this job as a step towards a more senior corporate role.

You will co-ordinate the budgeting and reporting for our Headquarters Clinical Research Department, and will also tackle the preparation of detailed plans, budgets and periodic reports.

Educated to degree level, with a good understanding of corporate accounting practices, you may come from any one of a number of business or professional backgrounds.

Benefits include a company car and non-contributory pension scheme with relocation assistance where necessary.

Applications, in confidence, may be addressed to: Mrs P Butterworth, Personnel Manager, Beecham Pharmaceuticals – UK Division, Beecham House, Great West Road, BRENTFORD, Middlesex TW8 9BD.

Beecham
Pharmaceuticals

Finance & Administration Manager

Reading
To £29,000 + Car
+ Insurance Benefits

Our Client: is a well-established insurance company that has in recent years enjoyed substantial growth through the transaction of non-life insurance business in the UK and overseas.
The Position: as part of the executive team, reporting to the General Manager, the Finance and Administration Manager will play a crucial role in the development of company strategy. His/her specific responsibilities will cover management and statutory accounting functions, treasury activities and personnel and administrative matters.
Candidates: should be qualified accountants, ideally with experience in a general insurance company. An involvement in computerisation should be an element of that experience; proven managerial ability is an essential attribute.
Salary and Benefits: in addition to the salary level quoted, the benefits are generous, including a fully-expensed car, mortgage subsidy, medical insurance, non-contributory pension and a relocation allowance where appropriate.

Applications please, in confidence, quoting Ref: 321 FT to

AHA Consultants
4/5 De Walden Court
85 New Cavendish Street
London W1M 7RA

COMPANY SECRETARY/FINANCIAL DIRECTOR DESIGNATE

West Yorkshire **c£25K + Car + Benefits**

Silver Cross

Our client is a well established, privately owned, British Nursery Goods Manufacturer, which enjoys a high reputation in a specialist sector of the market place. They are now seeking to replace the existing Finance Director who retires in 1988 with a person who has strong entrepreneurial, financial and business skills to assist in the next stage of the Company's progress, especially in diversification into other related areas.

Reporting directly to the Chairman the successful candidate will be responsible for management and statutory accounting and financial planning. Experience of up to date methods of Stock, Production and Treasury Controls are considered useful attributes as is computer literacy.

Candidates, aged 35-40, should ideally be graduate Chartered Accountants with an authoritative, innovative and intelligent approach who possess in-depth financial experience in industry gained in a fast moving environment where working under pressure is normal.

Interested candidates, who match these searching requirements, should send a detailed CV, including current salary to Paul Bailey, Spicer and Pegler, Personnel Services, 29 Park Place, Leeds, LS1 2ST.

Spicer and Pegler
Chartered Accountants

CLASSIFIED ADVERTISEMENT RATES

	Per line (min. 3 lines) £	Single column cm (min. 3 cms) £
Appointments	12.50	43.00
Commercial and Industrial Property	12.00	41.00
Saturday Property	6.00	25.00
Residential Property	9.50	32.00
Business Opportunities	13.00	44.00
Business for Sale/Wanted	12.00	41.00
Personal	9.50	32.00
Motor Cars, Travel	9.50	32.00
Contracts, Tenders	12.00	41.00
Book Page	—	22.00
Panel	—	30.00

Premium positions available
£9 per Single Column cm extra (Min 30 cms)
All prices exclude VAT
For further details write to:
Classified Advertisement Manager
FINANCIAL TIMES,
10 CANNON STREET,
LONDON EC4P 4BY

Treasury Specialist/ Accountant

PHILLIPS & DREW

Phillips & Drew Limited is one of the City's leading financial institutions, providing a wide range of financial services to its clients.

Our expanding business requirements have created a unique opportunity for an accountant or treasury specialist with experience in a treasury, loans or finance section, probably gained in the public sector. You will be engaged initially mainly on public sector consultancy assignments.

Your career prospects will be limited only by your abilities and determination to succeed. You will be joining a team of forward-looking and committed professionals and will be given the opportunity to undertake challenging assignments in all aspects of finance, accounting and treasury management.

In return, we offer an attractive basic salary and package including mortgage subsidy, performance bonus, non-contributory pension scheme, free life assurance and BUPA.

Please write, enclosing an up-to-date curriculum vitae to:

Sally Mew, Personnel Officer,
Phillips & Drew Limited, 120 Moorgate,
London EC2M 6XP

A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP.

two new appointments . . . . .

YOUNG ACCOUNTANTS

financial services

London **£20-25,000 + mortgage etc**

Long established as a financial services leader, our client has restructured one of its major business areas. As a result, two important new positions have been created.

The first entails responsibility for a team producing group management and statutory accounts with emphasis on interpretation and investigation.

The second involves the development and implementation of tight budgetary control procedures. Working closely with senior executives, this will provide the opportunity to make a significant contribution to profitability.

Both positions involve assistance with the development and implementation of advanced systems.

Applicants should be commercially aware qualified accountants aged mid/late 20s. In addition to a competitive salary, benefits include a non-contributory pension and subsidised mortgage. The group's substantial and wide ranging interests will provide extensive future career opportunities.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/66A/BF.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

ACCOUNTANTS A Better Way to Move

Landsdowne Appointments Register now have vacancies in London and throughout the country for Accountants aged 21-40 years. NOW SHORTLISTING Part Qualified, Newly Qualified, Management, Financial, Project and Chief Accountants and Financial Analysts.

Our proven, FREE service is the easy effective way to look around.

Contact us NOW on 01-743 6321, quoting reference FT1/10, or write enclosing your CV to:

Stuart Tait, Landsdowne Appointments Register, Park House, 207-211 The Vale, London W3 7QB.

A Bright Future taken into Account

Young Finance Managers

Excellent salaries *Midlands. Home Counties, Yorkshire and the North West*

Recent major expansion by our client, a £500m world leader in high technology manufacturing, has created a number of outstanding opportunities for high calibre accountants looking for real responsibility and early promotion.

Helping to prepare and analyse vital financial information and manage a wide range of projects, you'll be playing a leading role in the running of an autonomous business with an annual turnover of up to £80 million. The challenges include involvement in high level strategies and deputising for line managers. After two years, you'll be expected to take over a senior financial management role within an autonomous business.

Aged 24-30 with a degree and at least 18 months' post-qualification experience, you'll have demonstrated first-class technical skills, either in industry or in the profession. Now, ready to take your first significant step forward, you'll also have a strong, innovative approach to accounting and plenty of ambition.

In addition to a highly attractive salary, there's a range of large company benefits and enormous potential for further career development both in the UK and overseas.

Austin Knight Selection have been retained to handle initial applications. Please telephone Hans Rostrup on 021-455 6255 (office hours) or 0527 73681 (evenings) or write with full CV to Ref LS618, Austin Knight Selection, Tricorn House, 51-53 Hagley Road, Birmingham B16 8TP.

Austin Knight Selection

FINANCE DIRECTOR DESIGNATE

City **c£27,500 + Car**

Our client is a medium-sized and rapidly expanding company in the services sector and is itself part of a major British group.

The company seeks a commercially orientated accountant with strong systems development experience to take responsibility for all aspects of control and reporting, short and long term planning and the financial input to business decision-making.

Applicants should be qualified accountants aged around 30 with good leadership and communication skills and the ability to perform well in a stimulating and demanding environment.

Please apply in confidence with a comprehensive curriculum vitae including details of current earnings and a daytime telephone number to **D. E. Shribman.**

HUDSON SHRIBMAN
THE COMPLETE FINANCIAL SELECTION SERVICE
Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323

PORTMAN

BANKING CAREERS

BANKING ACCOUNTANT · £25,000

This major UK Merchant Bank currently has an excellent opportunity for a Accountant, or Part Qualified Accoutant with banking experience. Assisting the Regulatory Officer you will be involved in all aspects of control. A sound knowledge of systems would be an advantage. Candidates should be self starters with good communication skills and the ability to devise and draft reports.

further information call
- Sarah Mendel -
or write, in confidence to
13/14 Great St Thomas Apostle London, EC4V 2BB

Portman put care into careers
01-236 1113
Portman Recruitment Services Limited

Penta Group

Having recently become the retail motor arm of the expanding Western Motor Holdings PLC, Penta Group are now seeking qualified accountants in the following positions:

FINANCIAL CONTROLLER (Director Designate)
Based in Reading this position is within one of our prestige motor dealerships. The person will report directly to the Group Finance Director and be responsible for the total accounting function of two locations including a fully integrated computerised accounting system. It is envisaged that the appointment will lead to a directorship in the near future. Applicants should be qualified chartered accountants with post qualification experience preferably within the motor trade.

ASSISTANT TO GROUP FINANCIALCONTROLLER/INTERNAL AUDITOR
This is a new position that is also based in Reading. Responsible to the Group Financial Controller, duties will include refining the Group Internal Audit function together with other duties to assist the Financial Controller such as investigation of acquisitions,forecasting, etc. The position will suit a newly qualified chartered accountant.

FINANCIAL CONTROLLER
This position has arisen out of the acquisition of an Austin Rover dealership based in Watford. Reporting to the General Managaer, the person will be totally responsible for the accounting and administration at this dual location site.

Applicants should be qualified acountants with at least 2 years commercial experience.

Attractive packages, including company car, health insurance and contributory pension scheme are available with all the above positions. Please apply in writing to A. F. Dick ACA, Group Finance Director, Penta Ltd., Penta House, Basingstoke Road, Reading RG2 0HS

Financial Controller

South East England **Negotiable to £30,000 + car**

Our client, is a large well established, privately owned Group whose core business is Housing and Estate Development, and has recently entered the commercial property market. They have enjoyed consistent profitable growth and now wish to appoint a Financial Controller to monitor the established financial systems and to develop Group administration.

Reporting to the Financial Director, the successful candidate will exercise control over the financial function and play an important role in the continued commercial development of the Company.

Candidates, aged 26-32, will be Qualified Accountants who can demonstrate strong personal attributes and practical success in planning and managing the finance area in a growth situation. Good computer appreciation, systems development and sound commercial experience are essential requirements to this post.

Interested candidates, who meet these demanding criteria, should send a detailed CV including current salary to Don Day FCA, quoting reference LM613 at Spicer and Pegler Associates, Executive Selection, 13 Bruton Street, London W1X 7AH.

Spicer and Pegler Associates
Executive Selection

Commercial Manager

Graduate accountant/Financially aware MBA

Edinburgh **to £22,000 plus car**

Our client is a dynamic, growth-orientated £12million turnover subsidiary of a progressive and positively managed UK public group. Their products are supplied to customer markets throughout the world from a strong UK base, and they hold an enviable position in a competitive market.

Initial responsibility will be for the development and rapid introduction of improved management information systems. The Commercial Manager will also be expected to contribute significantly to strategic business planning and to the overall commercial management of the business.

Candidates, male or female, from age 28, will be either qualified accountants of graduate calibre or business school graduates operating in a financial role. They must be able to demonstrate outstanding achievement to date and will probably have a background in manufacturing industry, ideally including FMCG experience. Strong communication skills and the ability to make an effective contribution at a senior level are essential.

Salary negotiable to £22,000 plus car and other benefits including comprehensive relocation facilities if required.

Please send career details – in confidence – to D. A. Ravenscroft.

Ravenscroft & Partners
Search and Selection
20 Albert Square, Manchester M2 5PE

Group Financial Director

London EC1 **c£35,000 + car + share option**

Our client is an established USM company concerned with the import and export of meat throughout the world, with a significant UK based trading, manufacturing and distribution operation. The Group turnover is in excess of £35 million and enjoys an increasing level of profits.

The Group wishes to appoint a Financial Director to the main board to be responsible for all Group accounting, computing and company-secretarial activities. Sound experience in business planning, the organisation of management information and treasury control activities in a PLC environment are desirable.

The successful applicant should be a qualified accountant between 30 and 40 and have at least three years commercial experience at management level in a trading company *environment.*

The head office will be relocated to near the M25 in Surrey or Kent in the near future.

Please write in confidence quoting reference 3213 and submitting a curriculum vitae including salary details to:

Peter Childs
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
London EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

Redland

Deputy Chief Accountant

Following an internal promotion, an opportunity has arisen for a young Chartered Accountant to take up a senior position in our Head Office in Surrey.

Redland is amongst the world's largest suppliers of construction materials with operations in more than thirty countries. In recent years the Company has achieved rapid growth through the improved performance of existing businesses and from major acquisitions.

The Deputy Chief Accountant will be responsible for a wide range of activities including the analysis and reporting on performance of UK and Overseas divisions together with the preparation of group management information.

The successful candidate must be able to demonstrate a high level of competence and creativity and will be expected to be able to communicate at all levels of management.

An excellent remuneration and benefits package will be offered, including a fully expensed company car, and there will be every opportunity for further advancement.

Applicants should write enclosing a C.V. to: Mr P W Mills, Chief Accountant, Redland PLC, Redland House, Reigate, Surrey RH2 0SJ.

Internal Auditor

International role Bedford based

Our client is the European subsidiary of a $5 billion turnover, high tech. organisation. Their success is built on an informal, open management style that has created an exciting commercial environment where career prospects are outstanding.

As a young qualified accountant with two or more years post qualification experience, preferably in audit, you are now looking for international experience. This role, with the small European Audit team, is responsible for the operational and DP auditing at Company sites in Europe, the Middle East and Africa.

As an internal consultant, you will be expected to plan and manage your audits, present your results and make recommendations at the highest level. Substantial travel will give you a unique breadth of experience.

An attractive benefits package including relocation expenses is provided. A full information pack has been prepared. Please telephone John Brooks on 01-989 8342 lines are open till 8.30pm or write enclosing your CV to: PSN Recruitment Services, 1 Cambridge Park, Wanstead, London E11 2PU.

PSN Search & Selection

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES

Amoco Canada moves closer to Dome victory

BY ROBERT GIBBENS IN MONTREAL

AMOCO CANADA Petroleum appears to have won control of the troubled Dome Petroleum, after seven months of bitter negotiations and protracted litigation. Amoco threw C$400m more into the pot to raise its bid to C$5.5bn (US$4.18bn) in cash and securities.

The increase was on the table late this summer, but it has taken months to get Dome's major creditors on Amoco's side. Bank of Montreal, the main objector to the previous C$5.1bn bid, has accepted and will cease its litigation.

But bond holders in London and Zurich, owed more than C$600m out of Dome's total debt of C$6.1bn, will have to vote and could still upset the deal.

Amoco's new offer means that Dome's secured creditors, including several international banks, who are all owed C$3.4bn, would get 95.4 cents on the dollar which, Amoco points out, is up from 88.5 cents in the April offer. The interest paid on the Amoco notes has been increased.

Unsecured creditors, owed C$2.1bn, would get 45 cents on the dollar, up from 35.7 cents. Some Canadian banks are both secured and unsecured creditors. But a committee representing four foreign banks and 20 unsecured institutional creditors have already approved the deal, Amoco said.

Dome's common shareholders get C$1.50 a share in Amoco securities and preferred shareholders C$6.50 a share, both unchanged.

The deadline for the deal has been extended from November 30 to January 31, 1988. Dome must apply to the courts for restructuring under the Canada Business Corporations Act.

Mr Don Stacy, the Amoco Canada President, said he was confident that all creditors would give their approval and that the deal could go through. More than half the secured creditors have signed agreements. But shareholders will still have to vote, and Investment Canada approval is needed because Amoco Canada is fully owned by Amoco of Chicago.

Dome Petroleum posted a third-quarter profit of C$6m, including C$43m in foreign exchange gains, which were largely unrealised. A year earlier, Dome showed a loss of C$693m, after heavy writedowns.

Encor Energy, the former Dome Canada, has rejected a C$980m offer from TransCanada PipeLines, and the management says it will send a recommendation to shareholders shortly. TCPL offered C$8.75 a share last week and analysts said the price was too low.

Dome Petroleum owns 42 per cent of Encor, which is a large Western Canada oil and gas producer.

UK group succeeds in Newmont battle

By James Buchan in New York

CONSOLIDATED GOLD Fields, the UK mining finance house, gained effective control of Newmont Mining yesterday, when the Delaware Supreme Court approved its large and controversial purchases of stock in the US gold and resources group.

The decision, which upholds a lower court decision a month ago, is a blow to Mr T. Boone Pickens, the Texas oilman who was leading an assault on the $2bn company, which has been allied to Gold Fields since the early 1980s.

With Gold Fields allowed to keep control of 49.7 per cent of Newmont Mining, Mr Pickens is expected to drop his $72 a share offer for 51 per cent of the company. Most investors wrote off the Pickens offer as a dead letter when Newmont Mining stock halved in the market crash last month, but the company's share prices still fell $2¾ to $31 in early trading yesterday.

At that price, both Gold Fields and the Pickens group, Ivanhoe Partners, have suffered paper losses on their holdings. Ivanhoe is believed to own 9.95 per cent of Newmont Mining.

The group alleged that the $1.5bn "street sweep" had illegally locked out its own tender offer.

Rover to post profit for first time in four years

BY JOHN GRIFFITHS IN LONDON

ROVER, the state-owned UK motor group, said yesterday it would make an operating profit this year for the first time since 1983, representing a dramatic turnround for the group, which made a net loss of £892m ($1.5bn) in the year to December 31 1986.

The group, in its previous BL form, last made an operating profit - the profit before tax and interest payments - in 1983. Before the £4.1m achieved then it had made losses for the previous five years in a row.

No indication was given yesterday of the likely size of this year's profit.

The news was not completely unexpected. The industry had widely believed that Mr Graham Day, Rover's chairman, was set to achieve profitability this year, backing his assertion that the company can be privatised in the lifetime of this Parliament.

The half-year results announced in August showed an operating loss reduced to £7.3m from the previous year's £71.1m, and net losses cut to £42m from £204.5m.

Rover executives yesterday were emphasising improving production and sales performances by Austin Rover, the volume car subsidiary, and Land Rover, particularly on exports.

However, the ground work for the turnround was laid by a government injection of £680m last year and the inclusion in the 1986 results of extraordinary losses of £430m associated with disposals, notably that of loss-making Leyland Vehicles into a joint venture company with DAF of the Netherlands.

With the loss-makers off its hands and the companies in which it has retained a minority interest now profitable, Rover has been in a position to reap quick benefits from an improving operating position.

Some 1,200 white-collar jobs also went in a drive to reduce fixed costs in the first half of this year.

Although Austin Rover's UK market share has declined slightly, unit sales are marginally up on last year and by the end of October exports, at 117,000, against 116,000 for all of 1986. They now account for just under one third of production, which by the end of August had reached 302,000 vehicles this year against 280,000 in the same eight months of 1986.

When Land Rover and Range Rover are included, exports are expected to reach the 150,000 mark this year.

Despite the turnround, many City of London experts remain sceptical about the prospects of privatising Rover, which has an accumulated deficit of £2.6bn and owes banks a further £800m.

AT&T urges cut in fees paid to Bell

By Our New York Staff

AT&T, THE US long distance telecommunications carrier, has urged the Federal Communications Commission (FCC) to lower the fees AT&T pays regional Bell telephone companies for access to customers' telephone lines.

The seven regional companies, created in 1984 by the break up of the Bell system, filed proposals for slightly lower access charges with the FCC on October 1.

AT&T estimates these will lower long distance tariffs by $200m a year but says the cuts should total $800m and that it would pass these fully on to its customers.

Cuts of $800m would represent an average reduction of 3.6 per cent in long distance charges, AT&T said. The savings would range from 6.3 per cent during peak periods to 0.8 per cent at night and weekends.

"We're confident the FCC will recognise that access charges filed by the local telephone companies need to be susbtantially reduced," said Mr Larry Garfinkel, AT&T's vice-president of marketing.

However, AT&T is likely to face a fight from the regional Bell companies.

"The charges we filed are enough only to earn the minimum 12 per cent return on interstate traffic specified by the FCC," said Ameritech, the Bell company covering the Midwest.

Any fee cut would automatically apply also to AT&T's competing long distance carriers such as MCI Communications and US Sprint, a joint venture of GTE and United Telecommunications.

"We intend to remain competitive in pricing with AT&T," said Sprint. "Historically we have always priced lower than them."

AT&T last cut its tariffs in July but the 4.8 per cent reduction was similarly based on fees relating to interconnection with the regional companies.

Strong demand boosts Inco forecasts

By Our Montreal Correspondent

STRONG nickel demand and high prices for both nickel and copper indicate a prosperous fourth quarter for Inco, according to Mr Donald Phillips, the company's president.

Inco's third quarter was the best since 1981 and the fourth quarter should be better, he told Toronto analysts. Inco sees no reason for any significant slowdown in 1988.

Third-quarter earnings were $41.4m, or 36 cents a share, on revenue of $415m, compared with profit of $3m on revenue of $306m.

Mr Phillips said 1987 would be a record year for free world stainless steel production, and stainless producers still represented a big growth market.

Despite higher nickel prices, Inco did not expect additional capacity to come on-stream soon.

Amfac prepares for broad restructuring

BY OUR SAN FRANCISCO CORRESPONDENT

AMFAC, the San Francisco based property, food and agriculture group, has confirmed that its management and investment bankers will present a restructuring plan to the company's board tomorrow. The company's stock price rose sharply on Tuesday amid speculation that a big restructuring, with the possible sale of some assets, was about to take place.

After a delayed opening, Amfac's stock jumped to $31½ on Wednesday morning from a Tuesday closing of $29¼.

Last week Amfac said that "it is our intent to conclude the corporate-wide restructuring effort with the finalisation - by the end of 1987 - of our strategic study to maximise earnings potential and shareholder value from all of Amfac's assets and operations."

The company refused to comment on any action that might result from the presentation of the restructuring plan.

Amfac, which has its roots in Hawaiian land management, has been undervalued for several years, according to stock analysts. They speculate that the company will spin off its Hawaiian property and agriculture divisions and possibly the Liberty House chain of department stores.

On Tuesday, one of Amfac's board members, Mr Frederick W Mielke Jr, 67, resigned saying that he wanted to retire. A second board member, Mr Richard B Madden, chairman and chief executive of Potlatch Corporation, resigned last month. Analysts suggested that the resignations "had something to do with the restructuring plan."

Earnings fall for Dayton Hudson

By Our Financial Staff

DAYTON HUDSON, the US retailer, said costs from the opening of 49 new stores in the third quarter had reduced earnings, and that additional store openings before the end of the year would also hold down fourth-quarter results.

Paolo Gucci sells 3.3% of fashion house

By Our Financial Staff

MORGAN STANLEY, the US investment bank, has acquired a 3.3 per cent stake in Gucci, the Italian fashion house, on behalf of an unidentified investor.

Mrs Maria Martellini, the Gucci president, said Morgan Stanley had acquired the shareholding from Mr Paolo Gucci on behalf of a third party. She said it was unclear if someone was seeking to gain control of Gucci.

"It would be difficult to get control right now," she said. "I am not aware of any other shareholders who want to sell now," Mrs Martellini added.

A widely reported public feud has gripped the Gucci family for several years. As a result, structure of the company's shareholding is the subject of legal action.

Texaco creditors ask for mediator

BY OUR FINANCIAL STAFF

THE GENERAL creditors committee in Texaco's Chapter 11 case are to ask the Bankruptcy Court to appoint a distinguished person to help Texaco and Pennzoil settle their long-standing dispute.

Mr Charles F. Luce, the committee's chairman, said the committee would also seek court authority to file a creditors' plan in the case. "The general committee authorised filing with the bankruptcy court two documents it believes may expedite settlement of the Texaco-Pennzoil litigation," Mr Luce said. A spokesman for Mr Luce said the filings would be made this week.

The creditors' committee, which represents holders of about $6bn in Texaco debt, made the statement after a meeting of the full group.

The creditors are seeking a means of easing Texaco out of Chapter 11 so that it could pay off its debts.

The company filed for Chapter 11 in April to avoid having to post a bond for the full amount of the record $10.3bn award won by Pennzoil over the acquisition of Getty Oil. Texaco, which plans to appeal against the judgment to the US Supreme Court, has said it cannot submit a reorganisation plan until its dispute with Pennzoil is resolved.

The committee spokesman said a mediator would be chosen after further consultation with both companies, the creditors, and Mr Howard Schwartzberg, the judge who is overseeing the case in bankruptcy court.

The creditors' committee made no suggestion about who might serve as a mediator.

Nestle rides out currency checks

BY WILLIAM DULLFORCE IN GENEVA

NESTLE, the Swiss foods group, will at least repeat last year's net earnings of SFr1.8bn ($1.3bn) in 1987, in spite of the setback to turnover inflicted by this year's fluctuations in currency and coffee prices, Mr Helmut Maucher, the managing director, said yesterday.

Consolidated sales are expected to come out at SFr35bn, compared with SFr38bn last year and SFr42.2bn in 1985. At the 10-month stage sales had reached SFr29bn and were running 8.3 per cent below last year's result.

The weighted average depreciation against the Swiss franc of the 10 main currencies in which Nestle does its business was 20.1 per cent during the period. The sales figure in fact masks a 4 per cent growth in volume, according to Mr Renato Domeniconi, the finance director.

Indeed, the message at yesterday's regular autumnal press conference was that Nestle has come through recent currency and stock market turmoil in good shape.

Cash and short-term holdings amount to SFr6.3bn, back to the level before Nestle's $3bn takeover of Carnation of the US in 1985. Conservative money management saved the group from loss in the stock market crash.

Falls in the market prices of some companies could offer interesting buying opportunities, Mr Maucher said, but he emphasised that Nestle was adopting a very hard-headed approach to acquisitions.

He confirmed recent reports that Nestle was interested in buying from the TLC group of the US some operating companies of the former Beatrice group, but thought it would "probably" end up buying nothing.

Purchase of Beatrice's international assets by TLC had not been completed on October 1, as originally scheduled, and it was doubtful whether financing by the issue of junk bonds was now feasible, Mr Maucher commented.

Recently Nestle has been focusing on expansion through joint ventures in China, Egypt, South Korea and Pakistan.

Production restructuring, particularly in Europe, has helped Nestle maintain profits. Spending on plant and equipment has climbed to between SFr1.7bn and SFr1.8bn this year, Mr Maucher said. Plants are being mechanised and some - in Britain, the Netherlands and West Germany - have been closed.

So far this year Europe has provided over 42 per cent of group sales, compared with 39 per cent last year and 31 per cent in 1985.

During the October stock market crash Nestle's market value tumbled by 25 per cent but this was considerably less than falls in the capitalisation of many other leading Swiss companies, Mr Domeniconi pointed out.

Nestle's 1988 budget would have to take into account current monetary and economic uncertainties, Mr Maucher said. But, enumerating the group's trump cards - continuing rationalisation of production, increased spending on marketing, promotion and research and a very solid "war chest" in cash - he hoped it would be able to keep earnings at about the same level.

Mr Maucher saw no reason to change Nestle's dividend policy, which is to pay shareholders between 25 and 30 per cent of net earnings.

Share trading heads at DnC resign

By Karen Fossli in Oslo

TWO HEADS of the share trading division of Den norske Creditbank (DnC), Norways's largest bank, have resigned following revelations that the bank stands to lose some NKr1bn ($156m) on share trading transactions which took place this year.

Mr Leif Terj Loeddesoel, DnC's president and managing director, has also asked to be dismissed, but has agreed to stay on at the request of Mr Ragnar Halvoresen, chairman of the board. The men who resigned are Mr Lars Brustad, a vice-president in the bank, and Mr Jan Tore Aschim, the bank's manager of share trading activities. Mr Harald Moen, who has replaced Mr Brustad, says that the two will remain with the bank.

In early November the bank issued a statement regarding the depreciation in value of its shareholdings, including, it said, those resulting from unauthorised transactions. DnC said that its assessment of the matter revealed trading in stocks and equity-linked instruments on foreign exchanges exceeding the limit set by the bank.

Mr Moen said that DnC has realised losses of NKr200m through sales of foreign shares. He also said that there is a potential foreign portfolio loss estimated at NKr800m. DnC will either realise these losses or write down the value of its foreign share portfolio.

DnC's statement was made after the bank suspended Mr Philippe Hecker, accusing him of over-stepping the bank's limits for share trading transactions. Mr Moen said yesterday that DnC's future strategy will include: sales of foreign shares, activation of a stop loss mechanism, day-to-day monitoring of foreign share portfolios and a decrease exposure in the international market.

For the first eight months of 1987 DnC improved net profits to NKr300m from NKr203 in 1986. The bank group has total assets of NKr132bn and a capital base of NKr8.4bn.

Mediobanca privatisation faces delay

By David Lane in Milan

THE PLUNGE in the Milan stock market is likely to delay the privatisation of Mediobanca, the Italian merchant bank.

Officials at the bank have expressed doubts that the privatisation timetable can now be kept to.

Although the political authorisation for the flotation has been given, the public offer can be made only after agreement has been reached between Mediobanca's three big bank shareholders, which between them control 56.9 per cent of the merchant bank.

The operation, which was approved by IRI, the state holding company, earlier this year, is intended to reduce the shareholding of Mediobanca's major state shareholders to 20 per cent.

A group of between 15 and 18 corporate investors will together acquire 13.3 per cent of Mediobanca, with the remaining 23.6 per cent to be sold to Italian and foreign investors through a public offer through the Milan bourse.

Suez lowers profits forecast

BY GEORGE GRAHAM IN PARIS

COMPAGNIE FINANCIERE de Suez, the newly privatised French banking and investment group, has lowered its 1987 profits forecast by FFr200m following the stock market collapse.

Mr Renaud de la Geniere, the company's chairman, yesterday forecast net consolidated profits of between FFr1.8bn and FFr2.2bn ($384m), compared with an earlier projection of FFr2bn to FFr2.4bn and last year's result of FFr2.4bn.

First-half profits were stagnant at FFr1.45bn, compared with FFr1.56bn a year earlier. Net banking income was up 2.4 per cent to FFr5.8bn and gross operating profits up 7.3 per cent to 2.3bn.

Mr de la Geniere said that the group, which has been harrowed by the experience of being the first French privatised company whose shares opened at a discount to their offer price, was revising down its profits forecast out of prudence.

He said Suez's estimated net asset value had fallen by 15 per cent from FFr410 a share at the time of its privatisation last month to about FFr350 today. Only around FFr150m of provisions would have to be made, however, against losses on some of its more recent quoted investments.

Suez's 1.6m small investors have generally not sold their shares, Mr de la Geniere said, and selling orders have come essentially from foreign fund managers.

Fiskars in Wilkinson Sword deal

BY SARA WEBB IN STOCKHOLM

FISKARS, THE Finnish consumer goods and electronics group, has reached a preliminary agreement to buy the Wilkinson Sword home and garden operations from Swedish Match for an undisclosed sum.

The deal is intended to strengthen Fiskars' position in Europe, North America and Australasia and to increase its sales outlets.

Under the agreement, Fiskars - which is Finland's leading scissors and knives producer - would acquire two production units, in each of the UK and New Zealand, as well as a number of sales units.

The deal will give Fiskars an entry to markets in the UK, West Germany, Australasia and Canada under its own brand name, as up to now it has supplied the Wilkinson Sword group with products such as knives and scissors sold under the Wilkinson Sword name.

Wilkinson Sword was the market leader in the UK for knives and scissors and had a strong position in the West German market. The matches and shaving products group was acquired by its rival, Swedish Match, last March for about $160m, strengthening the Swedish conglomerate's positjon as the world's leading match manufacturer.

The Wilkinson Sword home and garden operations have a turnover of about SKr300m ($49m) and, according to Swedish Match, have not been profitable in recent years.

The division chiefly sells kitchen knives and scissors, which are produced by outside manufacturers including Fiskars, and makes garden tools.

Fiskars, a quoted company, last year showed pre-tax profits of FM193m ($46.6m) on turnover of FM700m. Turnover for 1987 is expected to total FM1bn. The deal with Swedish Match is due to be completed early next year.

Consumer products such as garden tools, knives, and scissors account for about 40 per cent of Fiskars' turnover.

The Wilkinson Sword division has about 250 employees at its two plants.

Renault shows strong revenues in first half

By Our Financial Staff

RENAULT, THE French state-owned motor group, said consolidated revenue for the first six months of this year amounted to FFr74.28bn ($12.96bn), up 11.6 per cent from the year-earlier figure of FFr66.55bn.

The revenue figures include for the first time those of Mack Trucks, the US truck-building affiliate.

Renault pointed out, however, that the figures only refer to Renault's industrial and commercial activities and do not include its financial units.

As a result the consolidated revenue that Renault will publish for all of 1987, will therefore be greater than the sum of the first and second halves, the company added.

The company said the figures are published to inform holders of Renault's non-voting loan stock of the yield they can expect, since the return on these instruments is pegged to Renault's economic performance.

Renault as a rule does not publish half-yearly fully consolidated revenue figures. However, this will change once a Bill currently before parliament is passed, aimed at changing Renault's status from a state agency to that of a normal corporation.

Upgrading for Danish savings banks

BY HILARY BARNES IN COPENHAGEN

DANISH SAVINGS banks will be permitted to convert themselves into joint stock companies by legislation tabled by the Government yesterday.

The purpose of the legislation is to enable savings banks to raise equity capital through the issue of shares, bringing them into line in this respect with commercial banks.

Several of the larger savings banks, including SDS, the biggest Nordic savings bank, have said that they expect to make use of the opportunity which the legislation will give them.

The savings banks today are self-owning institutions controlled through a system of depositor democracy. The new legislation is designed to ensure that customer democracy is maintained, with local shareholders electing delegates to a governing council.

The existing reserves of the savings banks will be protected through transfer to special trusts in connection with the establishment of corporate status. Differential voting rights will be allowed in order to prevent a single shareholder or group of shareholders gaining a dominant interest.

RHM

Our 1987 Good Food Guide to greater profits.

The Group's profit before taxation for the 53 weeks to 5 September 1987 rose by 28% to £116.1m compared with £90.8m for the previous year. External sales increased from £1,414m to £1,544m. This further substantial increase in profits over 1986 was due to improvements in all aspects of the Group's business.

Packaged cake under the Mr Kipling brand produced record results and benefited from its accelerating programme of new product launches. The Grocery division also achieved record profits where good contributions arose from its acquisitions of Tiffany Foods and Bonnie Baker Foods; the division's strong branded products, including Bisto, Paxo, McDougalls flour, Atora and One-Cal and Capri-Sun soft drinks, traded excellently and record profits were made by its food exporting company.

Our milling and bread baking business improved its result substantially over the previous year. After many years of rationalisation and heavy capital investment, the bread bakeries achieved a full year of profitable trading and their launch of Champion Softgrain bread and new packaging designs for the Hovis and Windmill Bakery brands contributed towards the strong performance of our major brands.

The General Products division made record profits with good contributions coming from its mushrooms, industrial catering, pasta and food retailing operations.

Avana Group plc, with its extensive range of customer own label and branded food products, acquired in 1987, achieved results well above expectations and significantly ahead of the comparable period for last year.

The profits of our overseas operations were considerably improved despite the fact that the USA pasta business was sold early in the financial year. Our remaining USA interests, enlarged by two strategic acquisitions, were well ahead of the previous year. Cerebos Pacific Limited, despite difficult trading in the Far East, had a further record year with excellent contributions from Australia, New Zealand and the growing restaurant business in Singapore.

Profits arising from disposals of surplus properties continued. The higher interest charges arose from funding part of the cost of acquiring Avana.

PROFITS UP 28%

RESULTS IN BRIEF

	1987	1986
External sales.	£1,544m	£1,414m
Profit before taxation.	£116.1m	£90.8m
Funds employed.	£547m	£532m
Return on funds employed.	24.7%	20.1%
Earnings per Ordinary share.	24.0p	20.7p
Dividends per Ordinary share.	8.49p	6.61p

Final Dividend Increased by 30%

The profit for the financial year attributable to the members of the Company is £86.4m. The directors recommend a final dividend of 5.84 pence per share on the Ordinary shares which represents an increase of 30 per cent over last year's final dividend. With the interim dividend already paid, dividends total 8.49 pence per share absorbing £29.0m.

Outlook

Although we are in the early stages of our new financial year, the profits to date are ahead of last year and I am confident that we shall have another record year.

Peter Reynolds

Sir Peter Reynolds CBE, Chairman

RHM

RANKS HOVIS McDOUGALL PLC

The 1987 Annual Report will be available from early December. If you wish to have a copy please write to: The Secretary, (Dept. E), Ranks Hovis McDougall PLC, P.O. Box 178, Alma Road, Windsor, Berks SL4 3ST.

David Lascelles on a change in orientation for an Illinois bank

Continental to concentrate on wholesale

CONTINENTAL ILLINOIS is still a name linked in most people's minds with the most severe banking crisis in the US. But Mr Tom Theobald, the bank's new chairman, has begun the task of forging a new identity for the Chicago-based institution.

The 50-year-old Mr Theobald, formerly vice-chairman of Citicorp, took over in July from Mr John Swearingen, the oil company executive who was appointed to steer Continental into safer waters after it nearly foundered in 1984. Three weeks ago, Mr Theobald unveiled his new strategic plan which will take the bank out of the mass consumer banking business and concentrate on wholesale banking for corporate clients and wealthy individuals.

"There are 20,000 institutions competing for two-thirds of the financial services market in the US," he says, "but only 3,000 competing in the other third. I know which part of the market I'd rather be in."

To some extent, Continental's choices are limited. Its home state of Illinois severely restricts the number of branches banks may have, so there is a natural tendency for them to move towards wholesale banking.

But Mr Theobald says the choice was easy: "One hundred per cent of our profits and 80 per cent of our business comes from wholesale banking. We're only doing five years later what others have done: simplifying our operations."

Mr Theobald has set four main lines of business for Continental.

● **Corporate finance:** He wants the bank to concentrate more heavily on investment banking, originating and distributing investment instruments. Ideally, he thinks Continental should pass through to investors all the securities and assets it creates, but in practice he says the bank will keep some of them, including loans, on its balance sheet.

This section will handle what he calls "non-recurring financial requirements" - acquisitions, buyouts, major expansions and other events which have a far-reaching effect on a company's financial structure.

● **Risk management:** Providing services which enable clients to protect themselves against interest rate and currency risk.

● **Market making:** This will involve expanding the bank's foreign exchange and bond trading activities in the US, London and Tokyo. In London, this will be handled by Continental Illinois Limited, the group's one-year-old merchant banking operation.

Mr Tom Theobald: forging a new identity for Continental Illinois

● **Specialised services:** These provide support for financial activities such as cash management, global custody, settlement and clearing services, and investment and fiduciary services.

To complete Continental's new orientation, Mr Theobald plans to sell off Continental's consumer banking business, including the five banks which the group has bought in recent years to expand in the mass market. Continental will thus undergo a metamorphosis similar to that achieved by Bankers Trust of New York in the early 1980s.

Why did he not go one step further and stop being a commercial bank altogether so that he could cross the divide created by the Glass-Steagall Act and become a pure investment bank?

"Our strategy can be pursued in the present legal environment," he said. "It's not a bet on any change in the law. We're not up against any regulatory fence."

However, Mr Theobald believes the recent stock market crash has reduced the likelihood of further deregulation of the US banking market to allow banks to enter the corporate securities markets. "I'd say the chances have come down by 10 per cent, but from 70 per cent to 60 per cent."

The crash was costly for Continental. Its First Options clearing and settlement subsidiary lost $90m because a number of large customers were wiped out by falling share prices. This will cause the group to report a loss in the final quarter of this year.

Mr Theobald said that First Options' risk parameters had been set at twice those of the 1929 stock market crash. "Obviously these were inadequate. We've now reset them at twice the 1987 crash, which is nearly 10 times 1929."

The crash has also postponed the day when Continental can return to normal as an independent publicly-owned company.

As a result of the 1984 rescue, the bank is 68 per cent owned by the Federal Deposit Insurance Corporation, the government regulatory agency, which plans eventually to sell its shares back into the open market. The crash caused a 30 per cent fall in Continental's share price to about $3, compared to a net asset value per share at the end of the third quarter of this year of $5.59.

"My job is to demonstrate a stream of earnings that will enhance our share value," said Mr Theobald.

Philadelphia SE calls for bigger futures margins

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

MR NICHOLAS Giordano, president of the Philadelphia Stock Exchange, yesterday called for increases in margin requirements on financial instruments offered by US futures exchanges to bring them into line with securities exchanges.

The Philadelphia exchange, which trades stocks and options and has a successful currency options market, is regulated by the Securities and Exchange Commission. Consequently, its margins are set by the Federal Reserve and are typically 50 per cent, as is normal on a US securities exchange. Margins had been increased to this level following the 1929 crash and the system had worked well since then.

Futures exchanges, by contrast, are regulated by the Commodity Futures Trading Commission and have much lower margins, even for securities-related products such as stock index futures.

Mr Giordano said in London that there should be equality of regulation for financial products, and pointed specifically to margin requirements and short sale rules. The differing margin rules prevented cross-margining - the off-setting of a position in one market against a position on another - from being allowed. Cross-margining would have helped to alleviate liquidity problems in October's stock market crash, he said.

Since the crash, expectations have grown in the US that there would be legislative moves to increase futures margins and have them set externally, perhaps by the Fed. There have also been calls for the SEC to take over regulation of financial futures from the CFTC.

Mr Giordano said he was not seeking the latter move. But he said the regulators concerned - the SEC, the CFTC and the Fed - could get together in the oversight of similar products, instead of regulating them separately as at present.

Mr Martin Longstreth, chairman of the Philadelphia exchange, said lower margin requirements tended to exacerbate a stock market fall. Investors in futures would be highly leveraged, representing "a huge market of surrogate equity ownership on 5 per cent margins."

Investors unable to meet sudden calls for additional margin payments triggered by falling prices would be forced into selling their positions, or would have them sold on their behalf by their brokers, Mr Longstreth said. In this case, the market would fall because of investors' lack of liquidity, rather than because of any fundamental view of market value.

The Philadelphia officials did not believe the crash exposed weaknesses in capital requirements on specialists and other securities firms. The absence of serious accidents to securities firms showed that the damage from the crash had been contained within the securities industry.

TSE seats may fetch Y1bn

BY IAN RODGER IN TOKYO

THE COMPETITION for the 20 new Tokyo Stock Exchange seats for sale next month is going to be hotter than expected. The TSE has received applications from 40 securities houses, 20 foreign and 20 Japanese, for the new seats.

The list of foreign brokers is consistent with earlier reports on who was likely to apply. This suggests that the recent crash of world stock markets has not deterred applicants, even though they may have to pay as much as Y1bn ($7.4m) for a seat, if they are offered one.

Western financial analysts in Tokyo said yesterday that many of the applicants were worried about the high cost involved, considering the uncertain outlook for world equity markets. However, there was no question of withdrawing.

The Japanese authorities would not be expected to look kindly on any house that pulled out now, especially after so much pressure was put on the TSE and the Ministry of Finance to make more seats available to foreign houses.

In many cases, the brokers' national governments would also be less than pleased if a firm withdrew. The British Government, in particular, put a lot of pressure on the Japanese authorities earlier this year in support of the five British houses that wanted membership.

However, in view of the larger than expected number of Japanese applicants, some of the foreign houses may in fact be let off the hook. Until yesterday, it had been widely expected that only 10 Japanese brokers would apply and that roughly three-quarters of the new seats would be allocated to foreigners. The TSE may now feel obliged to give a larger proportion to Japanese houses.

Of the 20 foreign applicants, seven are from the US: Salomon Brothers, First Boston, Shearson Lehman, Smith Barney, Prudential-Bache, Kidder Peabody, and an affiliate of Chase Manhattan.

The five UK houses are subsidiaries or affiliates of Kleinwort Benson, Baring, J. Henry Schroder Wagg, National Westminster Bank and Barclays Bank. James Capel has applied but, as a subsidiary of Hongkong and Shanghai Banking Corporation, it is considered a Hong Kong rather than a British company.

There are three French applicants, including WI Carr, now partly owned by Compagnie Financiere de Suez, and affiliates of Societe Generale and Credit Lyonnais.

The others are affiliates of Swiss Bank Corporation and Union Bank of Switzerland, and the Deutsche Bank and Dresdner Bank groups of West Germany.

Of the 93 current members of the TSE, only six are foreign and they were all admitted early last year.

PWH row strains bank relationships

BY PETER BRUCE IN BONN

THE ABRUPT decision last month by Otto Wolff, the West German engineering group, to stop supporting its struggling subsidiary PHB Weserhuette (PWH), may lead to changes in the way West German banks allow subsidiaries to borrow money.

PWH, a leading manufacturer of materials handling equipment, faces bankruptcy in a few weeks unless about 38 creditor banks, to which it owes DM335m ($198m), agree to waive half the debt and so clear the way for a new industrial partner to take control of the group.

Many of the banks involved are understood to be angry, however, at the way PWH was dropped by its parent, although Otto Wolff is in no way legally responsible for PWH's debt. Bankers say though that when the subsidiaries of large and creditworthy German parent companies need cash or guarantees, an unspoken "gentlemen's agreement" operates under which it is assumed that the parent would be good for the debt, should the need arise.

Industrialists confirm that requests by banks for Letters of Comfort from parent companies are an exception.

PWH's creditor banks are due to meet again today to discuss ways to rescue the company. They seem likely to agree eventually to some form of debt waiver, if only to try to secure some of the money outstanding.

Parental support

"I'm sure the banks will do what is in their interest," said a Frankfurt representative of one of Europe's biggest banks this week, "but one really will have to reassess this policy of (parental) support by gentlemen's agreement. PWH has not been creditworthy for years and no bank would have agreed to extend facilities without the knowlege that the parent stood behind it."

The Otto Wolff group was run until recently by Mr Otto Wolff von Amerongen, probably West Germany's best-known businessman. He is chairman of the combined German Chambers of Commerce and has been a leading figure in the country's efforts to win business in the Eastern Bloc. He retired as chief executive a year ago and his son-in-law took over daily control of the group.

After PWH ran into trouble in its operations in France last year, Wolff pumped in more than DM150m to rescue it. Further losses were inevitable this year but on October 20 the Wolff group announced it was no longer prepared to help PWH because its early 1987 loss estimates had proved to be hopelessly optimistic.

PWH which, with group turnover last year of DM992m is one of the world's largest producers of heavy materials handling and mining equipment, now estimates it will lose DM130m this year in trading - even more than it did in 1986.

Some of PWH's creditors, though, have little sympathy for Otto Wolff's dilemma. "One is dependent on the integrity of parent companies," said the Frankfurt banker, adding that "it really is unacceptable for the parent to walk away from its responsibilities. This affair has blown a hole in the system."

One Ruhr industrialist said on Wednesday that he feared the PWH affair might lead to a tightening of corporate credit procedures by banks in West Germany but that it was too early to tell.

Insufferable cheek

For the moment, the Wolff group is continuing to irritate PWH's creditors further by refusing to place all 99 per cent of its PWH stock with the PWH lawyer trying to negotiate a rescue with the banks.

The Wolff group calculates that if it is able to hold on to the roughly 25 per cent that it "parked" with an insurance company two years ago, and if PWH somehow recovers under the parentage of another company, then it might be able to recoup some of the DM150m it pumped into the earlier rescue.

Some bankers - and the increasingly demoralised PWH board - regard this manoeuvre as an insufferable cheek and insist that a rescue package can only be worked out once Wolff renounces its share interest as fully as it did its financial support.

Retail flows at low ebb

By Clare Pearson

INTERNATIONAL BONDS

EURODOLLAR BOND prices were lodged in a very narrow band yesterday, resistant even to the stream of comments from officials in Washington involved in the US budget deficit reduction talks.

Bond dealers described the day as a "complete non-event," with retail flows at a low ebb. The one bright spot was the performance of a $200m three-year new issue for Toyota Motor Credit, launched on Tuesday, which was well bid at less 1¼.

Euroyen bonds, on the other hand, saw active trading as dealers continued to cover short positions on rumours of sizeable retail switching out of Japanese government bonds and into Euroyen. This took prices higher by as much as ⅜ percentage points.

A new Dutch government bond issue emerged at Fl 1.25bn - larger than expected - when its price was fixed yesterday. The 6⅜ per cent 10-year bond, priced at 99½ to yield 6.45 per cent, traded at between 99.40 and 99.55 on the bid side. Overall, guilder bonds closed about 20 basis points higher on hopes of lower interest rates.

Swiss fixed-rate bond prices ended the day narrowly mixed but with a firm undertone.

Two bonds traded for the first time yesterday, with contrasting fortunes. A SFr200m 5 per cent bond for Chubu Electric Power closed at its issue price of 100½, while a SFr20m 5¾ per cent convertible for Golden Shield Resources, a Canadian mining and exploration company, closed 5 points below its issue price at 95.

West German markets were closed for a public holiday.

SEK to issue Euroyen CP

By Stephen Fidler, Euromarkets Correspondent

JAPAN'S MINISTRY of Finance gave the go-ahead yesterday for the establishment of a market in Euroyen commercial paper and SEK, the Swedish export credit agency, became the first borrower to announce plans to tap the market.

The Euroyen market will formally open tomorrow, the first day of business for the new domestic commercial paper market. Daiwa Europe is arranging the SEK programme.

The MoF's announcement on Euroyen paper, widely anticipated, limits borrowers to those which can obtain a Single A bond rating.

The ministry is expected to give its permission before the year end for foreign borrowers to tap the domestic paper market.

Indonesia to raise $300m

INDONESIA IS planning to return to the syndicated loan market by raising a $300m loan, Reuter reports from Hong Kong.

Indonesia had agreed to a proposal submitted by Dresdner Bank, IBJ Asia and Morgan Guaranty and a formal mandate is expected to follow shortly.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 18

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	92⅞	93⅜	0	0	9.60
All Nippon Air 9⅞ 97	100	93⅞	94⅜	0	+0⅛	10.39
American Brands 8⅞ 92	150	97¼	97¾	0	0	9.54
A/S Eksportfinans 7⅞ 93	100	91¾	92¼	+0⅛	0	9.41
A/S Eksportfinans 7¾ 92	150	93⅛	93⅝	−0⅛	−0⅛	9.14
Belgium 9⅛ 92	400	99⅛	99⅝	0	−0¼	9.21
British Telecom 7⅞ 96	250	86⅞	87⅜	0	−0⅛	9.91
British Telecom 8⅞ 94	150	96¾	97¼	0	−0⅛	9.48
Canada 9 96	1000	97½	98	0	−0⅛	9.39
Canadian Pac 10⅜ 93	100	101⅞	102⅜	0	−2¾	10.17
C.C.C.E 7¾ 93	113	93⅝	94⅛	0	−0⅛	9.04
C.N.C.A 7¾ 93	150	93¼	93¾	+0⅛	0	9.22
Coca-Cola Ent. 8¾ 90	100	98⅜	98⅞	0	−0⅛	8.93
Credit Lyonnais 9 91	200	99½	100	0	−0¼	9.06
Credit National 7⅞ 92	100	93¾	94¼	0	0	9.05
Credit National 7¾ 92	150	94⅛	94⅝	0	+0⅛	8.95
Denmark 7⅞ 92	500	91⅞	92⅜	0	−0⅛	9.42
Denmark 8¾ 92	300	97⅛	97⅝	0	−0⅛	9.02
E.E.C 7 91	100	93⅝	94⅛	0	−0¼	8.86
E.E.C. 7¾ 93	250	91⅞	92⅜	0	0	9.18
E.E.C 8¾ 96	100	92	92½	0	0	9.60
E.I.B. 7⅞ 93	100	92¼	92¾	+0⅛	−0¼	9.29
E.I.B. 9⅞ 97	150	97⅞	98⅜	0	−0⅛	9.71
Finland 7⅞ 97	200	88¼	88¾	+0⅛	−0⅛	9.82
Finland 7½ 93	200	91¾	92¼	0	−0¼	9.33
Ford Motor Cred 11⅞ 90	100	105	105½	0	+0⅛	8.66
Gen Elec Credit 10¼ 00	200	102	102⅜	0	−0⅛	9.93
G.M.A.C. 8 89	250	98½	99	0	−0¼	8.76
G.M.A.C. 8¼ 89	200	99⅜	99⅞	0	−0⅛	8.62
Hoesch 8¾ 97	100	†88	88½	0	+0½	10.25
Hoesch 7⅞ 92	100	†94¾	95¼	0	0	8.79
Hoesch 7⅞ 94	300	†90	90½	+0¼	+0¼	10.00
Liberty Mutual 8½ 96	150	91⅛	91⅝	0	−0½	9.97
L.T.C.B of Japan 8 91	100	95⅞	96⅜	0	+0⅛	9.25
L.T.C.B.of Japan 8 97	200	86⅞	87⅜	0	0	10.27
Mercds-Benz Cred 8¾ 92	300	98	98½	0	−0¼	8.70
Mitsubishi fin. 7⅞ 93	100	90⅝	91⅛	−0⅛	−0⅛	10.03
Mutual America 7⅞ 92	100	†93¼	93¾	0	+0¼	9.59
Norway 7¾ 91	300	94⅞	95⅜	0	−0⅛	8.90
Pepsico Inc 7⅞ 93	200	91⅜	91⅞	0	−0¼	9.38
Prudential Crp. 8¾ 94	125	95⅛	95⅝	0	−0¼	9.65
Qantas Airways 10⅞ 95	140	102⅛	102½	+0⅛	−0⅛	9.92
Rep. of Italy 9 90	1000	100¾	101¼	0	−0⅛	8.58
Saab Scania 9½ 92	125	100½	101	0	+0¼	9.19
Saskatchewan 10¾ 92	100	105	105½	0	+0⅛	9.18
State Bk S Aust 9¼ 93	100	97¾	98¼	+0⅛	0	9.70
Swedish Expt.Crd.7¾ 92	100	94⅛	94⅝	0	−0⅛	8.95
Swed Exp Cred 10 92	100	103⅛	103⅝	−0⅛	−0⅛	8.96
Sweden 7 91	250	93¾	94¼	0	−0⅛	8.85
Sweden 7 92	250	93⅛	93½	0	−0¼	8.97
Sweden 8¾ 96	200	94½	95	0	−0¼	9.68
Sweden 8½ 92	200	97¾	98¼	0	−0⅛	9.02
Taiyo Finance 7¾ 94	100	89⅝	90⅛	0	0	10.01
Toyota Mtr.Cred.7⅞ 92	150	92½	93	0	−0¼	9.27
Victorian Rep 11⅞ 92	150	107⅛	107⅝	0	−0⅛	9.48
World Bank 7 92	300	†93½	94	+0⅛	0	8.83
World Bank 9 97	300	95⅛	95⅝	0	0	9.70
Yasuda Trust Fin 8½ 93	100	93¾	94¼	−0⅛	−0⅛	9.92

Average price change... On day +0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	*96¾	97¼	0	−0⅛	6.23
Asia Fin.SVS 5⅞ 92	100	*†99	99½	0	0	6.07
Bank of Greece 6⅛ 95	150	*96¾	97¾	0	0	6.97
Bank of Tokyo 5¾ 93	100	*†100¾	101¼	0	+0⅛	5.41
Central BK. Turkey 7 92	200	*†100½	101	0	0	6.81
Degussa Int. 6⅛ 97	200	*95⅞	96⅜	0	+0⅛	6.73
E.I.B 5½ 98	150	*92½	93¼	0	−0⅛	6.45
E.I.B 6 97	300	*97⅞	98½	0	+0⅛	6.27
E.I.B. 6⅛ 96	300	*98	98½	0	−0¼	6.37
E.I.B. 6⅛ 97	400	*97¾	98¼	0	0	6.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅜ 96	100	†97	98	+0⅛	+0½	6.00
AMR Corpn. 5¼ 01	200	†87	87½	+0¼	−2	6.71
Asfinag 5 02	150	†95	95¼	−0⅛	+0⅛	5.49
Bayer W/W 2½ 02	250	†97	97¼	−0⅛	+4⅝	2.74
BBL W/W 2¾ 97	100	†81½	82½	−0⅛	+0⅞	5.16
Elec.De.France 5 07	100	†98	98½	+0¼	−0⅛	5.14
E.I.B. 4⅞ 97	200	†97½	98¼	+0⅛	+0¼	5.09
E.I.B 4⅞ 97	200	†97	97½	+0⅛	−0¼	5.00
Euro Gutsch 5 99	100	†98	98½	0	+0⅛	5.20
Ireland 5 02	150	†91¼	91½	+0⅛	−0⅛	5.89
Newfoundland 5⅛ 02	150	†100¼	100⅝	+0⅛	+0⅛	5.07
Polly Peck 6 92	75	†97½	98	0	+0½	6.61
Prov.of Manitoba 4¾ 02	200	†98⅝	99	−0¼	−0½	4.89
Prov. of Quebec 5 03	200	†97	97½	0	−1	5.26
Qantas Airways 4¾ 97	110	†94	94½	−0⅛	+0⅛	5.52
SHV Holdings 4¾ 94	100	†99½	100	−0⅛	0	4.79
Tiroler 4¾ 97	100	†99½	100	−0⅛	0	4.78
TNT 5 95	100	†99	99½	−0¼	+0⅛	5.12
Woolwich B/S 4½ 92	120	†97	97½	−0⅞	−1¼	5.16
World Bank 5 02	200	†94½	95	0	0	5.53

Average price change... On day 0 on week +0¼

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gunma Bank 2⅞ 02	4/87	808.	124⅞	125⅞	+0⅝	−0.57
MCA INC 5½ 02 US	†9/87	69.62	72½	74½	−0½	38.76
Minolta Camera 2¼ 94DM	*2/86	1004.	87¼	88¾	0	38.80
Mitsui trust 2⅞ 01	10/86	1903.	125¼	127¼	+1⅝	−0.90
Next PLC 5¾ 03 £	11/87	4.3	101½	103	+0⅛	35.36
Nippon Elec 2⅞ 00	1/85	1295.	281	282	+11	1.42
Old Elec Ind 3½ 99	10/84	805.	173⅝	175⅜	+5	2.46
Omron Tateisi 2⅞ 02	4/87	1320.	144⅞	146¼	+4⅛	2.87
Redland 7¼ 02 £	1/87	5.4	85	86¾	−0⅛	23.99
Yokohama Bank of 2⅞ 01	10/86	1014.	162⅞	164⅞	+6⅝	6.31
W.R. Grace 6¼ 02 US	9/87	42.12	75	76⅞	−0⅞	−28.17

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Sharp downgrading of Bell Group debt

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN RATINGS, the credit agency, yesterday confirmed a sharp downgrading of the debt of Bell Group, the master company in the empire controlled by Mr Robert Holmes a Court, as a result of the worldwide share market collapse.

But it said its rating for Elders IXL, the Australian brewing and agribusiness group headed by Mr John Elliott, was barely altered.

The announcement, apart from emphasising Bell's problems, underscores the differences now emerging in assessments of various high-profile, high-borrowing entrepreneurial Australian entities after the plunge in share prices.

BELL INTERNATIONAL, Mr Holmes a Court's UK company which includes the ACC entertainment business, stressed yesterday it was maintaining investment programmes and would not sell assets at a loss, Our Financial Staff writes.

Sir Michael Clapham, deputy chairman, said: "Cash flow, is quite adequate for the interest charges both here and in the group as a whole."

Australian Ratings said its key ratings committee had downgraded the Bell Group, which is approximately 45 per cent owned by Mr Holmes a Court, from an A minus rating to CCC, the lowest category.

Elders IXL, on the other hand, was lowered from A plus to A, a minor adjustment reflecting the view that, while its businesses were generally going well and producing strong cash flows, debt levels remained large.

An agency executive stressed that the ratings were relative and showed the sorts of risk which would be taken in lending to the companies concerned. They were not intended as a guide to stock market investors.

In the case of Bell Group, he said the rating was based on information the agency knew, not on what might happen. The executive added that he had no doubt Bell would "sort itself out," at which point a further adjustment would be made.

A distinction was also drawn between Bell Group and Bell Resources, in which Bell Group has a stake of about 42 per cent. Bell Resources, it was pointed out, appeared to have more easily realisable investments.

News of the downgrading follows two quick moves by Mr Holmes a Court to boost his cash resources. Last Friday, he sold several properties in Perth to realise A$206m (US$143m).

Then on Tuesday, he sold a 2½ per cent stake in Broken Hill Proprietary (BHP), Australia's largest company, to realise about A$288m. This brought his stake back below 30 per cent, in conformity with an agreement with BHP and Elders IXL, another major shareholder.

The buyer of the properties and of the BHP stake was the Western Australian State Government Insurance Commission. It was the state government too which guaranteed the bail-out of Rothwells, a Perth-based financial institution, shortly after the share market collapse.

Yesterday Mr Brian Burke, the Labor party premier in the state, again defended the government's involvement in such matters. He said the BHP stake was worthwhile and pointed out that the government was not exposed to Mr Holmes a Court or the Bell Group.

Critics said the Insurance Commission had not only sharply increased its investment in the share market, it had done so by investing in just one company.

The assessment by Australian Ratings showed the Bell Group's dilemma. Apart from its media, equipment and freight businesses in Western Australia and its film and theatre businesses in the UK, its main assets are its investments.

Apart from its associates, Bell Resources and J.N. Taylor Holdings, these are its stakes in Standard Chartered Bank, the insurance broker Dewey Warren, and Australia Pioneer Concrete.

According to the agency, the market value of Bell Group's associated companies and of its direct investments plunged by more than A$1bn between June and October, to under A$1bn.

At the same time shareholders' funds have fallen to A$795m, and cash still has to be found to make the agreed purchase of assets from the Fairfax media group in Australia.

An agency executive pointed out that assets of Bell Resources, which include a 9.5 per cent stake in Texaco, the US oil company, might be easier to sell than those of Bell Group. That, he said, made Bell Resources the key to a resolution of the group's troubles.

Nearly 12m shares were traded in Bell Resources on Australian share markets yesterday as speculation increased of a move involving the company. Almost 28m shares have been traded in the past three days. Mr Elliott yesterday felt moved to deny that Elders was the buyer.

Regarding Elders IXL, Australian Ratings said the second half of a large rights issue, along with the conversion of convertible bonds into equity before the crash and the proceeds from the flotation in Hong Kong of Elders Investments, had all helped the balance sheet since the group published its full-year results.

JAL gets ready for privatisation

BY CARLA RAPOPORT IN TOKYO

JAPAN Air Lines was issuing orders to its employees yesterday, on the eve of its official transfer from the public to the private sector. "Brush your teeth daily, keep your shoes clean and say thank you with sincerity," instructs a 20-point Daily Code, part of a 28-page handbook circulated to all JAL employees.

The sell-off of JAL shares will not take place until next month. But the Japan Air Lines Law, which gave the Government effective control over the airline, was officially abolished yesterday. As a result, the airline proclaimed the day as its first day as a private company. And in Japanese fashion, it issued instructions on how to behave.

The handbook, for example, instructs JAL employees on how to improve their methods for dealing with customers and company colleagues. No request is too small to be handled courteously, it advises. In addition to providing a check list on personal hygiene, the daily code also tells staff to clear away ashtrays and cups after meetings.

The sale of JAL shares to the public next month is, however, serious business. It is an important prestige project for the Japanese Government, which, if successful, will raise close to $6bn. Despite earlier worries, the recent sale of the second tranche of shares in Nippon Telegraph and Telephone went off flawlessly even given the crash in world equity prices.

The Government intends to sell its remaining 48.09m shares in JAL, or 34.5 per cent, at close to the current price of about Y17,500 a share. The sale is expected to take place around the middle of next month, but an exact date has yet to be set.

For JAL, the move is another chance to improve its efficiency and customer service in the newly deregulated airline sector. Starting this month, all 20,500 JAL employees will be attending a two-day seminar aimed at "improving employee awareness and attention to customers," the company said.

Unfortunately for the company, however, not all its employees are interested in improving their awareness at the moment. Two JAL unions, involving more than 3,000 employees, are planning to launch a two-day strike starting today. "It's a coincidence that this annual strike is happening at the same time as the privatisation," insisted Mr Tsutomu Ishiyama, deputy leader of the Jal Flight Crew Union.

Every year, he added, the union strikes for a day or two around this time for a higher bonus. Mr Ishiyama claimed that the action would have no impact on JAL services.

The company, however, predicts that the union's strike could affect as much as 30 per cent of its domestic and international flights during the two days.

At the same time, JAL is facing an upset among members of its cabin crew, who are agitating for more pay and against the hiring of 120 European and Chinese flight attendents. Last night the JAL Cabin Attendants' Union, covering 40 per cent of the airline's flight attendents, was threatening to join the flight crew on their two-day strike.

While it works on its labour problems, JAL is still aiming to boost its customer service. In another move timed to coincide with its privitisation, the airline yesterday launched a "JAL hallo line," a hotline service for customers to phone in their opinions and complaints.

Perhaps a few overseas customers might use it to express their opinions on the hiring of foreign flight attendants.

Recovery for Sony in second quarter

BY OUR TOKYO CORRESPONDENT

SONY, one of Japan's best-known consumer product companies, showed a marked recovery in operating profits for the second quarter and predicted it could continue to increase profitability despite the impact of the appreciation of the yen.

For the three months to September, Sony showed pre-tax profits up to Y11.6bn ($85.5m) from Y10bn on a consolidated basis. At the operating level it reported a turnround from a loss of Y202m to profits of Y14.7bn. Sales in the period were up 10.3 per cent to Y332.5bn.

The company, which derives 60 per cent of its business from exports, said that it intensified marketing activities, developed and introduced a number of new electronic products and expanded its overseas operations in the period under review. Sales of compact disc players, micro floppy disc systems and semiconductors were particularly strong.

Sales in the home market were 22 per cent higher but sales to the US were up only 5.7 per cent.

Noting that the current economic scene is "clouded by fears of recession brought on by the significant decline of the world's stock markets and disarray in global financial markets," Sony said it will continue to strengthen its overseas production operations, raise productivity and develop new products.

For the first half of its current year, Sony showed a slight decline in pre-tax profits to Y23bn from Y24.6bn despite an improvement in operating earnings from Y1.1bn to Y19.8bn. Sales were up 4.1 per cent at Y644bn.

CSR to double planned acquisitions to A$1bn

BY OUR SYDNEY CORRESPONDENT

CSR, THE Australian building materials, sugar and resources group, is flush with cash and is doubling its planned spending on acquisitions this year.

Reporting a 39 per cent increase in interim earnings yesterday, the group said it had A$800m (US$557m) in liquid funds and that investments made or planned in 1987-88 could exceed A$1bn.

This is three times last year's level and double the figure announced at the end of 1986-87. At the same time the group's debt has been reduced A$244m to A$1.03bn, cutting its gearing ratio from 35 per cent to 30 per cent.

As yesterday's figures make clear, one key reason for the group's changing complexion is the sale to Exxon last April of its Delhi petroleum interests, which realised A$982m.

CSR's group revenues for the six months to September were up 98 per cent to A$2.4bn. Of this, trading revenues were A$1.25bn, up 16 per cent.

Pre-tax profit, at A$176.3m, was almost double the previous level. The net profit figure after minority interests was A$79.7m, up 39 per cent. The biggest contribution, of A$42m, came from building materials, followed by A$27m from sugar.

The major improvement was shown by minerals, thanks mainly to an improved aluminium price, while oil and gas operations, excluding the Delhi sale, were turned from loss to profit.

CSR executives said the group was in an "extremely good position to take advantage of current opportunities and has already done so."

Storehouse dips below £36m at halfway

BY NIKKI TAIT

Storehouse, the retail combine headed by Sir Terence Conran and currently on the receiving end of a "demerger" bid from the relatively tiny Benlox Holdings, yesterday surprised the City with news of continued warehousing problems at its Mothercare subsidiary, leading to an overall profits downturn in the first half.

In the 24 weeks to September 19, Storehouse reported £35.9m, compared with £37.1m last time - a 3 per cent reduction - on sales 4 per cent higher at £481.4m. Earnings per share slipped to 6.1p (6.4p).

However, although Mothercare's profits tumbled, results from the other four elements of the group - BhS, Habitat/Heals, Richards Shops, and Savacentre/other companies - showed a strong advance. Encouraged by that progress and by news of a 9 per cent increase in the interim dividend to 2.5p a share, Storehouse shares gained 3p to 263p yesterday.

The Mothercare problems centred on the planned new national distribution centre at Wellingborough where the throughput of goods was simply too heavy.

Half the stores previously in the NDC systems have now switched back to direct distribution and imports are no longer going through the Wellingborough system. In the process, however, Mothercare reckons it has knocked 1 per cent off its market share, inevitably faces some higher cost, and that the need for additional stocking resources at the individual stores may delay its "Mothercare +" store development programme. Its first half profits contribution dropped from £13.5m to £9.9m on sales 4 per cent lower at £132.2m.

BhS, by contrast, showed a 7 per cent turnover advance at £224.3m, and profits 10 per cent higher at £20.

At Habitat, profits were 26 per cent higher at £4.4m on sales of £98.7m (£84.3m), with the UK flat but with France and the US moving ahead.

The interest charge goes up from £2.5m to £5.7m with gearing running at about 20 per cent.

Sir Terence said that the second half has started with sales up 8 per cent and that Storehouse looked forward to "a happy Christmas trading period."

The company is continuing its search for a managing director, he added, but has found candidates unwilling to commit themselves while the Benlox bid is outstanding.

Cronite jumps 10% to top £1m

Cronite Group, processor of specialist metals and steel stockholder, increased pre-tax profits by 10 per cent from £953,000 to £1.05m on restated comparisons in the year to September 30.

Turnover declined slightly to £17.79m (£18.77m) and earnings per 25p share worked out at 7p (7.8p).

Tax took £182,000 (£145,000) and an extraordinary debit £149,000 (nil).

The directors said that while trading results in the first half were discouraging, the picture by the year end was much more encouraging.

During the year £6.8m had been raised by way of vendor placings to fund the purchase acquisitions.

A combination of improving results from the company's original businesses and the benefits of a full year from the companies acquired during 1986-87 should produce a marked improvement this year and the first dividend since 1982.

Gaynor carries off £611,000

Gaynor Group, USM-quoted maker of plastic packaging products, chiefly carrier bags, lifted its pre-tax profit from £533,000 to £611,000 for the year ended August 31 1987.

The final dividend is 1.67p for a total of 2.67p after earnings of 8.1p (7.6p). Turnover moved up from £5.28m to £5.87m and gross profit from £1.08m to £1.21m.

Mr Joseph Dwek, the chairman, said sales penetration in the high street had been "very rewarding" and the group was supplying most major stores on a regular basis. It was very busy and well booked ahead.

Davy manages small gain with £6.2m

Davy Corporation, the engineering and construction group, showed a small improvement from £6.01 to £6.23m in pre-tax profits for the six months to September 30 on turnover which was £74m up at £378.53m.

Lord Jellicoe, the chairman, said that once again the UK provided the backbone to earnings in the first six months with Sheffield and Stockton producing a solid performance, Poole and Distington performing well and London enjoying a reasonable first half.

There has been a significant improvement in the food and pharmaceutical plant business in Chicago and Pittsburgh's business has produced a better performance, but petroleum and chemical plant operations at Tulsa and Lakeland are continuing to experience difficult conditions with volumes low and margins thin. Concern is also expressed about the profitability of the chemical plant side of the business in Frankfurt.

Monk has a good order book and is benefiting from a general improvement un the construction industry.The company will also gain from a streamlining of its organisational structure carried out over the past few months.

On the US economy, Lord Jellicoe has some assurance and says that Davy has only limited exposure to problems arising from the weakness of the US dollar.

Estimated tax is £1.56m (£1.5m) giving earnings of 4.9p (4.8p) per 25p share. Extraordinary costs in the period relating to a closure in a previous year amounted to approximately £500,000 (£2.45m). Negotiations are in progress for the disposal of an office vacated as a result of another prior year closure. This could give rise to a further extraordinary write-down of approximately £2m.

The interim dividend has been raised from 1.5p to 2p but the chairman says this is a levelling up and is not an indication of an increase in the total dividend

●comment

Just when you thought it was safe to dip a toe back into the Davy water, along the company comes with a disappointing set of interim results and the market lops nearly 20 per cent off the share price. UK activities seem to be performing satisfactorily and the US is probably at least breaking even. However, there is nervousness over news of delays to the butanediol and Heidtman projects in the US, and the last thing the market wanted to hear was that the West German chemical plant was giving rise to concerns about profitability. Davy's interim figures are notoriously only the tip of a highly unpredictable full-year iceberg, but analysts were last night trimming back their forecasts from the £24m-£26m range to £22m. That puts the shares, at 136p, on a prospective price/earnings ratio of under 8, at which level the yield is a reassuring prop at around 7 per cent

CE Heath down 44% to £9.3m midway

BY ERIC SHORT

THE INSURANCE broking group C.E.Heath, yesterday reported a 44 per cent decline in pre-tax profits at the interim stage to September 30, 1987 from a restated £16.5m to £9.3m.

However, a higher tax rate resulted in attributable earnings drooping 47 per cent from £10m to £5.3m, with earnings per share of 11.9p against 22.6p.

The interim dividend is raised from a net 7.1p to 7.3p leaving the gross equivalent unchanged at 10p per share.

An analysis of the group's operating profit showed brokerage profits cut by more than two-thirds from £11.3m to £3.5m, partially offset by a 30 per cent rise in underwriting profitability from £4.3m to £5.6m.

Income from computer services fell slightly to £600,000, but other income was drastically reduced.

The group has had major problems over senior personnel leaving to join other rival insurance broking operations. Although it has replaced these personnel through a strong recruitment programme, it will be some time before the brokerage and consequent profitabity.

Thus brokerage in its three major operations, North America, Aviation and Marine have declined substantially.

On the group's underwriting operations, the surprise was the decline in profitability of the Bermudian reinsurance company Pinnacle was only 15 per cent on a much reduced premium income, because of the Mentor litigation.

Investment income declined from lower interest rates applying to reduced cash flow. Currncy movements had only a marginal impact on the interim figures, but the current dollar weakness could have more serious effects on the second half figures.

● comment

The interim figures from C E Heath came as a pleasant surprise to the market expecting a real bloodbath. The loss of key underwriters has had the expected impact and brokerage results are expectedly poor. It will be some time before brokerage profitability gets back to previous levels - the first priority is to restore staff morale by expandinmg business rather than concentrate on profits. So for the next year or so, the group will be relying heavily on underwriting profits. Here the Australian operation has come back strongly from its low point and Pinnacle is surprisingly still very profitable - the reason for the better than expected interim figures. But with currency losses about to hit the second half results, the outlook for the full year is still gloomy, a fact that the share price up 19p to 374p is not taken fully into account.

Allied Lyons in Japanese share offer

BY LISA WOOD

Allied Lyons, UK-based drinks and food group, is making an offer in Japan of shares in B-R 31 Ice Cream, which is jointly-owned by Baskin-Robbins International, the group's wholly-owned subsidiary, and Fujiya of Japan.

The initial public offering on Tokyo's over-the-counter market is being underwritten at Y3610 per share by Nomura Securities, Daiwa Securities, Nikko Securities and Goldman Sachs.

Some 1.4m shares, representing about 14 per cent of the equity of B-R 31 Ice Cream, are being offered. At current exchange rates net proceeds will be $36m (£20.5m) to be divided equally between the two partners.

It is envisaged that a further public offering may be made in late 1988, raising total equity available to the public to 30 per cent, qualifying B-R Ice Cream for a listing on the second section of the Tokyo Stock Exchange.

Waddington 61% growth boosted by packaging

BY Fiona Thompson

Strong sales of margarine tubs, yoghurt pots and dual ovenable trays - for microwave or conventional ovens - helped John Waddington boost interim pre-tax profits by 61 per cent from £5.12m to £8.25m.

Turnover for the Leeds-based packaging and games group rose 25 per cent to £82.65m, for the 26 weeks to October 3, 1987, compared with £65.9m for the 27 weeks ended October 4, 1986.

Mr Victor Watson, chairman, said the trading environment in some of Waddingtons' markets was not quite as bright as in the past year, but he remained confident of the future. The company expected next year to see real benefits from its recent £15m capital investment programme.

Mr Watson was particularly enthusiastic about prospects for its susceptor material, which crisps pizza and pastry dough cooked in microwaves, thereby eliminating the soggy bottom problem. Four frozen food companies have launched products since the material became available six months ago. Waddington has the sole susceptor patent rights for the UK, France and West Germany.

The microwave market was a huge growth area, he said. Only 30 per cent of households in the UK had one, against 60 per cent of US households.

Of the total £8.19m operating profit, the packaging division contributed £4.51m, up from last year's £3.77m. The contribution from Comet, the US company which makes hard plastic clear cups, was substantially down on last year due to a dramatic 60 per cent rise in the cost of plastic resin over nine months.

The business forms and security printing division contributed profits of £2.18m against £1.32m last time. A strong growth area was "mail-a-form", the all-in-one letter and envelope such as those used by banks when notifying customers of their Pin numbers.

The games division showed profits up to £1.5m from £1m. Dinghats, the catchphrase game, was the best seller with Blockbusters close behind.

Tax took £2.15m (£1.28m). Earnings per share rose to 8.26p from 7.33p. The interim dividend is 3.1p (2.9p).

●Comment

The City had been looking for £9m profits so yesterday's results were somewhat disappointing. Acquisitions represented about £1m of profits, Johnsen & Jorgensen in particular making a smaller than expected contribution. Acquired in June this year for £17m, J&J was found to be much less efficient than Waddingtons had thought. The substantial rise in plastic resin costs hit Comet hard, as the US company could not pass on the higher charges to its customers, whereas the UK division has price escalation built into contracts. Waddington's US exposure, at 12 per cent of total sales, is not seen as a worry, though the market crash did force the company to put a US packaging acquisition on ice. The share price dropped 11p to close last night at 199p. Assuming pre-tax profits for the full year of about £18m, that puts them on a prospective p/e of 11.

Whitbread 17% up at £93m and no price rise ahead

BY CLAY HARRIS

Whitbread and Company, the brewing and retailing group, yesterday reported a 17 per cent increase in interim pre-tax profits and said that liberalised licensing laws would not result in higher prices for consumers.

The pre-tax advance to £93.3m (£79.8m) in the six months to August 29 was achieved on turnover 9.4 per cent ahead at £817.2m (£746.7m). Profits and sales increased in all divisions.

The results exceeded most City forecasts but the A shares failed to hold early gains and closed only 2p higher at 259p.

Mr Sam Whitbread, chairman, said that flexible licensing hours, as envisaged under legislation which the company supported, would not necessarily mean that all pubs would remain open all day.

"There's no point in opening a pub if it's going to be empty for a couple of hours," Mr Whitbread said. Pubs would open at the most "economic hours" and the cost of increased staffing - mostly part-time employees - should be offset by increased sales of food and non-alcoholic beverages.

The company's Beefeater restaurant chain had opened all day on Sunday since the initial loosening of licensing laws in the summer, and found that increased volume had more than compensated for higher staffing costs.

Retail activities, including Pizza Hut restaurants as well as Beefeater, 1,600 managed Whitbread Inns and the Thresher off-licence chain, increased operating profits by 20.6 per cent to £40.4m (£33.5m), the largest divisional rise.

Profit from brewing and wholesaling increased by 8 per cent to £54.4m (£50.4m) as higher lager sales (which now account for 51 per cent of Whitbread's beer turnover) more than offset the decline in demand for ale, although Flowers and Whitbread Best increased their market share.

There was a 14 per cent rise to £13.1m (£11.5m) in profits from wines, spirits and soft drinks. In North America, the company's brands increased market share but at the expense of heavy promotion costs. The US market remained difficult with the added uncertainty of a possible increase in federal excise tax as a result of the current budget talks in Washington.

Although after-tax profits advanced to £64m (£53.6m), a £4.8m extraordinary debit (£8.3m credit) reflecting the redundancy and closure costs of relocating distribution depots formerly based in Salford and Marlow reduced attributable profits to £59 2m (£61.9m).

Fully diluted earnings per share rose by 17 per cent to 15.89p (13.36p). The interim dividend is increased by 12 per cent to 2.8p (2.5p).

● comment

Whitbread's unshaken determination to continue transatlantic expansion has cast a small shadow over its shares' ultra-defensive performance since the crash. Its enthusiastic presentation of yesterday's results wiped away some doubts about strength of management motivation, but the grizzliest bears' gut preference for Bass, due to report in a fortnight, is reflected in their respective ratings. With brewing results encouraging, but unremarkable, the brightest spot is the apparently unchecked expansion of restaurants - the launch of the first six West German Beefeaters is due to be announced this week. With little if any post-interest contribution expected this year from James Burrough, the Beefeater gin group which came into the accounts in mid-October, it is not surprising that Whitbread is now considering a change to its unorthodox habit of using year-end shares in issue rather than the weighted average to calculate earnings. On pre-tax profits of £185m, staying with the conservative method would produce fully diluted earnings of 28.4p (for a prospective p/e of 9.2), an 8 per cent rise over 1986-87 but perhaps 1.5p less than the alternative.

Southend Stadium acquisition

Southend Stadium, property investment and development group, has increased its interests in London's Commercial Road area through the acquisition for £4.2m cash of the outstanding 50 per cent of Hamlet City Properties, together with a 40 per cent holding in Hamlet Textiles. Southend has a 12-month option to purchase the remaining equity in Hamlet Textiles.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
AAH Hldgs ....int	3.6†	Mar 25	3.24	-	9
Black Arrow ....int	0.75	Jan 4	0.57*	-	1.77*
Boots ....int	3.1	Jan 28	2.8	-	8
Church (Charles)...fin	1	-	-	1	-
Davy Corpn ....int	2	Jan 4	1.5	-	6.25
Dunkill Holdings ...int	0.9	Jan 4	0.63*	-	1.75*
Dwek Group ....int	1.75†	Jan 11	1.5	-	4‡
Gaynor Group§ .....fin	1.67	Feb 26	-	2.67	-
Heath (CE) ....int	7.3†	-	7.1	-	24.99
Jersey General ......int	6.75♦	Dec 21	5.75	-	16
Jessups ....fin	2.5	Jan 5	3	5.25	4.5
JSB Electrical§ ......fin	2p	Jan 8	0.9	2.5	0.9
JS Pathology § ......int	1.8	Jan 15	1.5	-	4.5
MK Electric ....int	4.2	Jan 7	3.7	-	12
Ranks Hovis ....fin	5.84†	-	4.49	8.49	6.61
Storehouse ....int	2.5	Feb 16	2.3	-	8.6
Waddington (J.) ...int	3.1†	-	2.9	-	6
Whitbread ....int	2.8	Jan 8	2.5	-	8.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ‡15-month period. ♦To reduce disparity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Beecham, British Gas, Bromsgrove Industries, Cambridge Instrument, Chloride, Izzy, Just Rubber, King and Shaxson, Thomas Locker, TR Property Investment Trust, Smith St Aubyn, Witan Investment.

Finals- Australia Investment Trust, Burton, Capital Radio, Polytechnic, Rodime.

FUTURE DATES

Interims-

CCA Galleries	Nov 26
Crosby (James)	Dec 7
Kennedy Smale	Nov 20
Office and Electronic Machines	Nov 30
Sheraton Securities International	Nov 30
York Trust	Nov 25

Finals-

MEPC	Nov 25
McLeod Russel	Nov 20
TMD Advertising	Nov 24
TSB Channel Islands	Nov 26
Vaux	Nov 25

KIO back in the market for BP

BY TERRY BYLAND

"*HE'S BACK AGAIN*" was the cry in the trading rooms of London stock market firms at 8.00am yesterday, as this week's mystery buyer - revealed late yesterday as the Kuwait Investment Office - of the "new" shares of British Petroleum bid aggressively for more of the same.

Within 15 minutes of the *switching on of the London market's* electronic trading network, around 30m more BP "new" shares had changed hands, with the single buyer which had shown its hand on Monday and Tuesday providing the driving force.

By the end of the day, 320m of the shares had traded, making a total of 844m over the past three market sessions.

Once again, most of the business in the shares was transacted via the IDB screens which are available only to marketmaking firms. The sheer size of the BP "new" deals, which ranged to 9m *share blocks* yesterday, indicates that much of the business was transacted "net of commission", or directly between marketmaker and client - and thus first disclosed on the IDB screens.

Dealers crowded round the IDB screens to share the mounting *excitement as the bids flowed in* for BP new shares, and were just as readily "hit", in market jargon, by willing sellers.

At Scrimgeour Vickers, a Citicorp trading firm, Mr Bob Wade, commented that the buyer had acquired stock on Monday at around 80½p and paid between 85½p and 86½p yesterday.

Although BP "new" shares are still regarded as a good buy by those with faith left in the UK equity market, there is no shortage of the shares on offer for sale.

Many institutions were left *awash with the shares* when the collapse of the stock market undermined the underwriting operation. They were unable to unload BP "new" shares until the KIO appeared.

The heavy buying of BP "new", which has made up nearly a half of total equity trading on both Tuesday and Wednesday, has provided a significant buttress for the UK market during a nervous trading week. It represents a significant input of new money into the market.

See Lex

Sir Lawrie Barratt,
"Crash effects limited to high-price south east"

Barratt progress goes on

Barratt Developments, housebuilder, will be unaffected by any repercussions the stock market crash has on the residential property market.

Sir Lawrie Barratt, chairman, told the annual meeting that any problems would be restricted to the very high-priced properties in the south east. He added that the market there had been overheated for some time and the company had already decided to limit its exposure.

In the present year the progress made last year in restoring profitability was continuing. Accounts for the first four months showed that profits had improved significantly.

Sir Lawrie reported improvements in all parts of the company. In particular he mentioned the partnership developments with housing associations and local authorities in London. He saw a great future for partnerships especially with the Government's focus on renewal of the inner cities, a market in which the company had much experience.

It was also announced that Mr Andrew Tait, chairman of the National Housebuilding Council, and Mr Frederick Crawley, chairman of Black Horse Agency and former deputy chief executive of Lloyds Bank, are joining the board as non-executive directors.

Boots tops £120m but fails to meet some expectations

BY LISA WOOD

Boots, retail and pharmaceuticals group, yesterday reported a pre-tax profit of £120.1m, including £5.8m property profits, for *the half year to September 30*, an increase of 23.2 per cent on the same period last year. The results were below some analysts' expectations.

The results took in an extra three months of the group's overseas activities which have changed their annual reporting date from December 31 to March 31. Stripping out the additional quarter for the overseas subsidiaries profit at £106.6m showed growth of 13.3 per cent.

Turnover of £1.3bn was up by 22.8 per cent on the previoussix months. An interim dividend of 3.1p per share (2.8p) has been declared with shareholders to be given the option of taking shares instead of cash for the major part. In 1986 some 40 per cent of shareholders, representing 9 per cent of the issued share capital, took up a similar share offer.

Mr Robert Gunn, chairman, said:" Following the fall in world stock markets and the decline in the US dollar, the outlook is more uncertain than usual." But he said that because of the major developments set in train last year the group was in a strong position to perform well in the changing economic circumstances. Turnover in the industrial division - split *into three* regions, the UK, North America and international - rose by 41.6 per cent to £321.9m, including £59.1m for the additional quarter from overseas.

The trading profit of £70.6m, again including the extra quarter, was an increase of nearly 74 per cent, with growth achieved most notably in North America following the acquisition of Flint from Baxter Travenol.

Integration of this business with the existing Boots business in the US has been virtually completed. Sales of the major Flint product, Synthroid, in local currency were up by more than 20 per cent.

In the UK, where major Boots *brands include* Nurofen andKarvol, home sales of pharmaceuticals and consumer products rose by 9.9 per cent. Included in the UK results were sales of own brand to Boots the Chemist and other retailers. This part of the business showed little growth, a reflection said Boots, of the competition in this manufacturing sector. Turnover in the retail division at £1.05bn was up by 17.1 per cent but this included £48.2m from the extra quarter included from overseas. The trading profit, excluding property disposals and including overseas losses, was down 5.4 per cent at £40.4m.

Losses in the overseas retail business rose to £4.3m. Sephora, the 38-store chain of French per*fume shops, suffered from terror*ism and a poor summer, according to Boots.

In the UK, sales increased by 11.5 per cent and profits on normal trading by 10.7 per cent despite the absorption of significant costs, including the improvement of 213 outlets.

See Lex

T&N makes £7m Italian investment

By Philip Coggan

T&N, the engineering and building materials company formerly called Turner & Newall, is acquiring Eaton Nova, an Italain manufacturer of pistons, piston rings and liners. The purchase is being made via its Italian subsidiary, A E Borgo and will involve a total investment of approximately £7m.

The acquisition will further extend T & N's involvement in the manufacture of engine components *in Europe* and will provide AE Borgo with additional capacity and improved capability for the production of new types of piston rings, particularly for diesel engines.

EFT wins control of life group

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

Edinburgh Financial Trust, the Scottish financial services company, has decisively won its battle for control of City of Edinburgh Life Assurance, an *unquoted life company*.

It announced yesterday that it now has 47 per cent of the City of Edinburgh equity, while its ally MIM Ltd, the investment management company, has 25 per cent.

Mr Hugh Barry, the executive deputy chairman of EFT, is to become chairman of City of Edinburgh in place of Professor Donald Mackay, who has resigned. Mr Alastair Robertson, who was chief executive of City of Edinburgh, has also left the company.

EFT had earlier outmanoenvred Aberdeen Fund Managers which had made an offer for the whole of City of Edinburgh.

Yesterday EFT said that it had increased its stake in City of Edinburgh from 41 to 47 per cent after subsribing to new shares in a £1.25m rights issue, which it had underwritten along with MIM, which also increased its stake. Along with Mr Barry, three other directors associated with EFT are joining the board of City of Edinburgh.

CCF/Rolfe & Nolan

CCF Group, the computer and *financial consultants*, has acquired a further 5000 shares in Rolfe & Nolan Computer Services, increasing its stake to 130,000 shares, or 5.02 per cent.

Mr Neville Nicholson, a CCF director, said yesterday the share stake was purely an investment, CCF had no intention of launching a bid for Rolfe & Nolan. CCF started to acquire shares in Rolfe *& Nolan* a year ago.

Black Arrow up 50%

CONTINUED BENEFITS from the higher degree of vertical integration helped the **Black Arrow Group** to a pre-tax profit of £1.53m in the half year ended September 30 1987.

That represented a near 50 per cent advance over the £1.02m of the comparable period. Turnover *rose from £8.26m to £9.84m, or* by 19 per cent.

Trading conditions in the office furniture distribution and contracting division remained buoyant, the directors stated. The group also operates as a retailer and franchiser in the dry cleaning industry, and is engaged in leasing and instalment finance.

Earnings for the half year came to 4.08p (2.58p) and the interim dividend is lifted to 0.75p (adjusted 0.57p).

The tax charge of £512,000 was based on the estimated rate chargeable for the year. Last year's had been adjusted to £323,000 to reflect the relative proportion of the charge for year 1986-87.

Jersey General lifts asset value

The net asset value of **Jersey General Investment Trust** was 480p per £1 share at end-October 1987, compared with 456p a year earlier.

Net revenue for the six month period amounted to £639,857 (£555,833) for earnings of 6.81p (5.89p). Tax took £158,208 (£139,017).

The directors hoped to recommend a total dividend of not less than the 16p paid last time. The interim dividend is stepped up by 1p to 6.75p to reduce disparity.

From a gross income of £1.35m (£1.32m), expenses took more at £83,953 (£77,305)

Menzies pays £6m for Hammick's

John Menzies, newsagent and bookseller, is buying Hammick's Bookshops from International Thomson for £6m in cash.

Hammick's has 20 book shops, mainly in the south of England, and a book-wholesaling operation with 500 customers. The company will become part of the Menzies retail division.

Chas. Church up 91% to £11.9m.

BY ANDREW TAYLOR

MORE THAN £8m was wiped off the stockmarket value of **Charles Church** yesterday - despite the quality housebuilder revealing a 91 per cent increase in pretax profits to £11.9m for the year to end-August, 1987.

The 10p fall in Church's share price from 112p to 102p had as much to do with general worries about the future of housebuilding in south east England as it did with disappointment that profit growth last year had not been even bigger.

The group comfortably exceeded its forecast of pre-tax profits of £11m made in April when Charles Church successfully offered 25 per cent of the *company's equity for sale at* 115p a share.

Earnings per share increased from 3.9p to 9.5p. Church proposes a dividend of 1p as forecast in the offer for sale prospectus. Turnover increased by 68 per cent from £44m to £74m.

Mr Charles Church, chairman, said house sales went flat immediately after share prices plunged recently but had picked up in recent weeks.

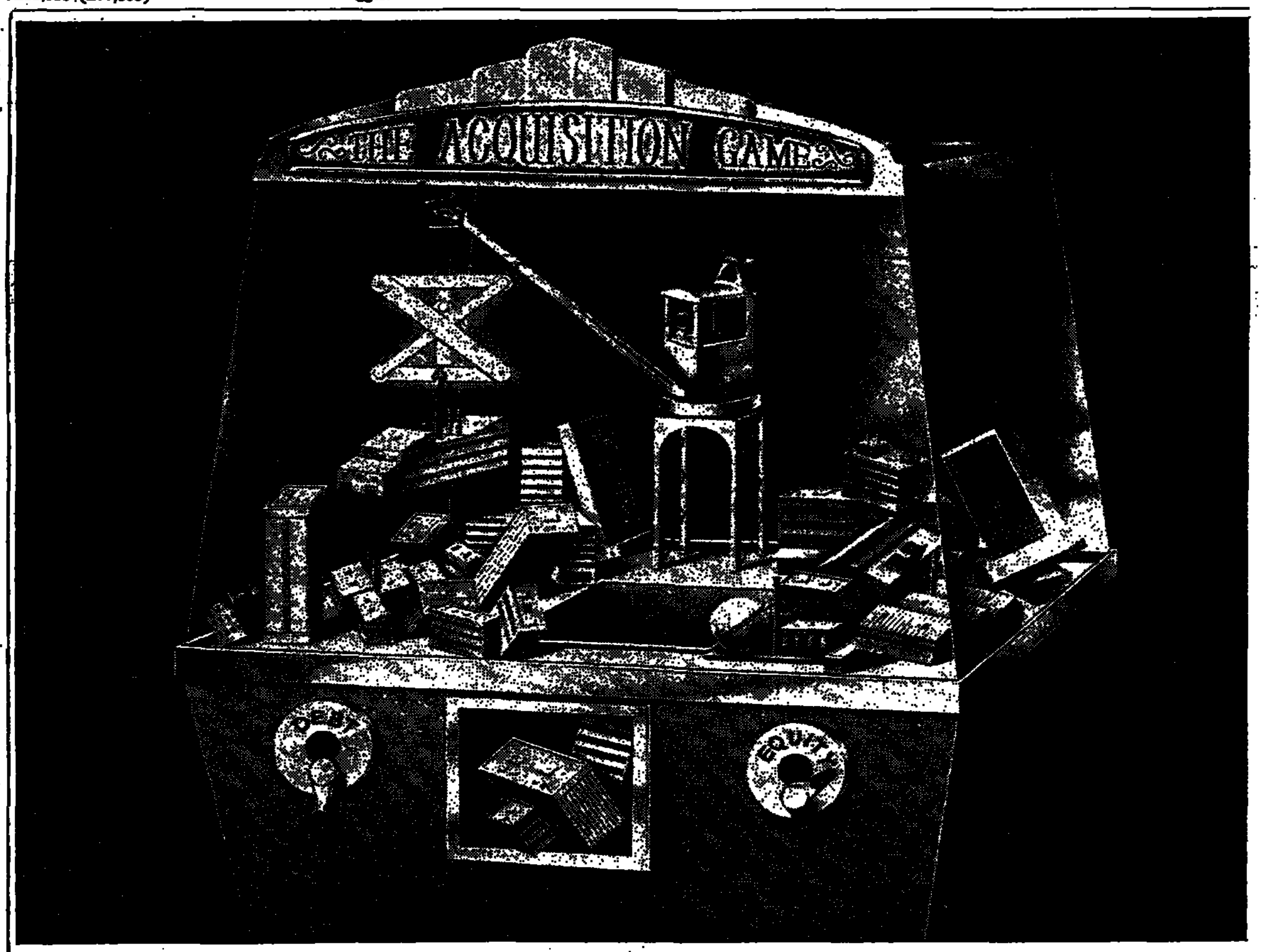
In the last few days the company had sold 7 houses and 25 flats in Buckhurst Hill, Essex for around £7m.

Longer term the group expects house price increases to slow. A shortage of properties in the south east, however, should underpin values while tax cuts and lower interest rates should help would be house buyers.

Public Works Loan Board rates

Effective November 18

Years	Quota loans repaid by EIP†	Quota loans repaid A††	Quota loans repaid at maturity.	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A††	Non-quota loans A* repaid at maturity
1			8⅞			9⅛
Over 1 up to 2	8⅞	8⅞	8⅞	9⅜	9⅜	9⅜
Over 2 up to 3	8⅞	8⅞	9	9⅝	9⅝	9¾
Over 3 up to 4	8⅞	8⅞	9	9⅞	9⅞	9¾
Over 4 up to 5	9	9	9	10	10	9¾
Over 5 up to 6	9	9	9⅛	9½	9½	9⅝
Over 6 up to 7	9	9	9¼	9½	9½	9¾
Over 7 up to 8	9	9	9⅜	9½	9½	9



Healthy sales lift MK 15% to top £9m

SALES GROWTH in both the UK and overseas enabled the **MK Electric Group** to lift its profits to £9.7m pre-tax for the first six months of 1987-88, an improvement of 15 per cent over the £8.4m returned for the corresponding period of the previous year.

Turnover for the period to September 26 pushed ahead from £66.1m to £79.2m.

The London-based group, engaged in the manufacture of electric accessories, went on the takeover trail earlier this year buying Esser Sicherheitstechnik, a German manufacturer of fire and intruder alarms, for £7.9m, and more recently, Digital Audio, which added to the group's expertise in security products.

Commenting on the opening half year the directors said sales volumes in the UK, the group's predominant market, rose strongly in each of the three divisions benefiting from continuing growth in the refurbishment sector and a generally buoyant economy.

Overseas sales also grew with some Far East recovery and an excellent performance in Europe.

Tax for the period accounted for £3.5m (£3.2m) leaving net profits £1m higher at £6.2m.

Earnings rose to 16.5p (13.9p) per 25p share and the interim dividend is being stepped up from 3.7p to 4.2p.

● comment

Analysts were talking about MK Electric as a "classic defensive stock" yesterday. Certainly it is emerging from the doldrums at just the time when investors are looking askance at more high-profile, high-risk stocks. The transformation wrought by Mr Leverton is to add building control systems - security, fire alarms and the like - on to the slower-growing wire accessories business. Building control should rise in the medium term from its current 25 per cent of turnover to around a third; the wire accessories involvment in refurbishment gives it some protection against a slowdown in building starts. Add in the fact that 80 per cent of MK's turnover is in the UK and that it bears a yield of over 5 per cent and one can begin to understand the enthusiasm for its defensive qualities; assuming £22.5m for the full year, the shares at 405p are on a prospective p/e of 10.5.

RHM advances 28% to £116m.

BY NIKKI TAIT

Ranks Hovis McDougall, the bakeries and food group in which Australasian food combine Goodman Fielder has recently taken its stake to 29.9 per cent, yesterday pleased the City with pre-tax profits 28 per cent higher at £116.1m in the 53 weeks to end-August - against £90.8m in the previous 52-week period.

The increase was scored on a 9 per cent sales rise to £1.54bn. Earnings per share rose 16 per cent to 24p (20.7p) after an increase in the tax charge from 31 to 33 per cent.

News of the figures - coupled with a hefty 30 per cent increase in the final dividend to 5.84p a share, making 8.49p (6.61p) for the year - prompted a further 1p rise in Ranks' share price at 294p.

Yesterday, RHM's managing director, Mr Stanley Metcalfe, stressed that the company "would not feel inhibited" by the Goodman stake and would study any proposals which the Australasian company cared to make "with interest". But he reiterated RHM's resistance to giving its largest shareholder any boardroom representation.

He also emphasised that the company had not abandoned the acquisition trail, following its successful £281m takeover bid for Welsh food group Avana last April. "Last year, I gave a strong signal that we were prepared to make acquisitions, and I wouldn't change that." said Mr Metcalfe, "We are able to afford further deals."

The profits improvement was spread across all divisions, and included a four and a half month contribution from Avana. During that period, the Welsh company made £9.2m at the trading profit level - a 39 per cent advance on its figures for a similar period a year earlier.

Of the existing RHM businesses, the sharpest profit improvements were seen on the milling and baking side and on general food products. Milling/baking - RHM's largest division - saw trading profits bounce from £35.4m to £45m on sales just 1.5 per cent higher at £614.4m, with bakeries turning in their first full year of profits following the heavy rationalisation/modernisation of the mid-eighties. RHM said that it now hoped to start reaping the benefits of that programme, with new mills coming on stream in Barry and Southampton. The poor harvest had already pushed up flour and bread prices, and yesterday Mr Metcalfe said he could not rule out further increases.

The general products side saw profits up from £9.6m to £12.4m, on sales of £239.7m (£224.2m). On the packaged cake side, profits advanced by 11 per cent to £16.9m, with sales £12m higher at £142.8m. Grocery products saw a 12.2 per cent profit rise at £17.5m, on sales of £182.4m (£155.1m).

Overseas, the Pacific region companies' profit improved to £13.9m (£12.4m) despite a small sales drop to £84.1m, with "difficult trading conditions" in the Far East but "excellent" figures from Australia and New Zealand.

All-round growth helps AAH rise 21%

BY PHILIP COGGAN

INCREASED PROFITS in each of its divisions helped **AAH Holdings,** distribution group, achieve a 21 per cent increase in interim pre-tax profits from £8.41m to £10.15m in the six months to September 30.

Turnover was higher at £480.87m (£421.95m). Earnings per share were 16.5p (13.9p) and the interim dividend is up 14 per cent to 4.2p (3.7p).

Since the acquisition of Vestric from Glaxo in 1985, pharmaceutical supplies has been the group's most significant division. This time it contributed almost three-quarters of turnover and two-thirds of profits; with trading profits rising 16 per cent to £7.42m (£6.4m) on sales 17.5% higher at £355.8m (£302.8m).

The largest improvement in trading profits came from the building supplies division which achieved a 55 per cent increase to £2.33m (£1.5m) on sales 14 per cent higher at £45.1m (£39.5m). The division benefited from favourable conditions in the construction industry. It traditionally earns the bulk of its profits in the first half.

Elsewhere, transport services increased trading profits 26 per cent to £943,000 (£750,000) on sales 19 per cent higher at £9.18m (£7.69m) despite higher fuel costs. Environmental services benefited from new local authority cleaning contracts and increased trading profits by 14 per cent to £564,000 (£496,000) on sales 57 per cent up at £7.2m (£4.6m).

The electrical supplies division, formed when AAH acquired Hamilton in July, made a first time contribution of £247,000 on sales of £5.69m.

The fuel distribution division has now become part of British Fuels, in which AAH has a 25 per cent stake. After restating the previous figures, its contribution was more than halved to £161,000 (£376,000) on sales of £57.9m (£67.3m).

● comment

AAH has benefited enormously from the acquisition of Vestric but its task now is to try and balance the group to reduce its exposure to the pharmaceuticals sector. Builders supplies has obviously flourished during the construction boom; but perhaps the most likely area for swift expansion is electrical distribution, where the group now has a core holding in Hamilton. Fuel distribution has been a volatile division in the past so the reduction to a 25 per cent holding will help smooth out profit trends; however the involvement with council privatisation plans, through the environmental services division, does involve an element of potential political instability. Nevertheless, if Vestric can maintain its volume increases, the group's medium term growth prospects are assured.

Dwek rises to £1.7m and plans acquisitions

Dwek Group, maker of furniture and leisurewear, vinyl and PVC, and distributor of luggage and handbags, lifted taxable profits from £1.43m to £1.72m on turnover down from £15.01m at £12.22m in the six months to September 30 1987.

The directors declared an interim dividend of 1.75p - up from last time's 1.5p - and after estimated tax of £601,000 (£514,000) earnings per 10p share rose from 5.23p to 6.4p on an undiluted basis and from 4.35p to 5.32p on a fully diluted basis.

Mr Maurice Dwek, chairman, said that the apparent decline in turnover reflected the effects of the disposal of industrial plastics and housewares activities. Trading of Symphony International, distributor of handbags and travel goods which Dwek purchased for £9.5m in January this year, was included on a merger basis in the comparative figures.

Cash flow remained strong and he said that the board was determined to continue to search out further suitable acquisitions as well as developing the present activities which remain unaffected by the recent events in the stock markets.

Extraordinary credits amounted to £47,000 (£1.7m).

Jessups recovers to £2m and sees further growth

Jessups, Romford-based motor dealer, doubled pre-tax profits from £1.01m to £2.04m on turnover up from £69.04m to £75.93m for the year to August 31 1987.

Last year's pre-tax profits were down from £1.37m the previous year mainly because of an exceptional provision of £700,000 as the result of what was described as a substantial default which appeared to "involve external fraudulent conversion of leased vehicles and other criminal acts." After tax of £573,000 (£397,000), earnings per 25p share surged from 7.31p to 17.46p. A final dividend of 3.5p (3p) is proposed, making 5.25p (4.5p) for the year.

Mr Alan Jessup, chairman, said that as reflected in the restatement of last year's figures, the company had made full provision within its accounts for deferred tax and had revised its accounting policies consequent upon the adoption of the recent accounting standard on leasing.

The directors were confident that with stable market conditions, a continuing improved profit performance would be achieved.

Gross profit amounted to £6.23m (£5.17m) after cost of sales with other operating expenses coming to £1.78m (£1.37m).

Brown Shipley advances midway

By David Lascelles, Banking Editor

Brown Shipley, the small merchant banking group, saw profits rise strongly in the first half of its financial year to September 30, but said that results for the second half would inevitably be affected by last month's crash in the stock market.

As is customary, Brown Shipley gave no details of its earnings. But it said that profit was "significantly higher" than in last year's first half, with particularly strong results from banking and insurance broking for individuals.

Booming stock markets also brought benefits to the stockbroking, investment management and unit trust sides of the business. The corporate finance division was helped to a strong performance by a large number of transactions.

But Lord Farnham, the chairman, said that those parts of the business which had benefited most from the strong markets would suffer in the second half, though both stockbroking and corporate finance had continued to have a reasonable flow of business since the crash.

"Investors are still interested in buying and selling," he said. "Unless the market takes a very different direction, I do not see that business drying up completely."

Brown Shipley said forecasting full year results was very difficult but it would be disappointed if the year as a whole did not show a satisfactory improvement over last year. The interim dividend is 4p per share, up from 3.75p last year.

JS Pathology rises to £1.9m

JS Pathology, a London-based provider of pathology services expecting to graduate from the USM to a full listing soon, raised its profits from £1.51m to £1.94m pre-tax for the six months to end-September.

Tax was £679,000 (£560,000) and earnings per 10p share 9.6p (7.9p). The interim dividend is up to 1.8p (1.5p).

Dunhill surges 53% to £15.2m at six months stage

Dunhill Holdings, luxury consumer products group, increased pre-tax profits by 53 per cent from £9.94m to £15.23m for the six months to September 30 1987 on turnover up from £69.94m to £86.58m.

Included in the profits for the period were capital gains on disposal of UK government securities of £2.5m. The directors said yesterday that excluding these gains, the underlying profit increased by 28 per cent to £12.7m.

An interim dividend of 0.9p (0.63p restated) was declared. After tax of £5.87m (£3.74m), earnings per 10p share rose 51 per cent from 3.7p to 5.6p (restated).

The directors said that performance under the Dunhill name had improved significantly, and Montblanc's contribution was also sharply ahead. Planned development costs in Chloe produced a small loss for the six months.

The net cash position, after including the proceeds from the sale of Lane, was approximately £70m, placing the group in a strong financial position.

Sier Pendle, group managing director of Dunhill.

● comment

Economists will be familiar with the "Giffen good" - a type of product which appeals to the wealthy consumer principally because of its high price, rather than any more utilitarianmerits. The Mont Blanc pen is a prime example - at $250 (£142) for the most sumptuous model, it costs ten times as much as a normal fountain pen and is distinguished only by a broad nib and a chunky appearance. Such pens, and the range of luxury goods marketed under the Alfred Dunhill brand-name delivered most of the underlying 28 per cent growth in first half trading profits. With currencies hedged for the next 18 months and net cash of £70m after the sale of Lane, the company is in a strong position - always assuming that demand for its glamorous products is not knocked on the head by a world recession. Up 10p yesterday to 170p, the shares are on a prospective p/e of 14½ assuming profits of £31½m in the full year - a 40 per cent premium to the market as a whole.

JSB meets expectations with profits 51% up

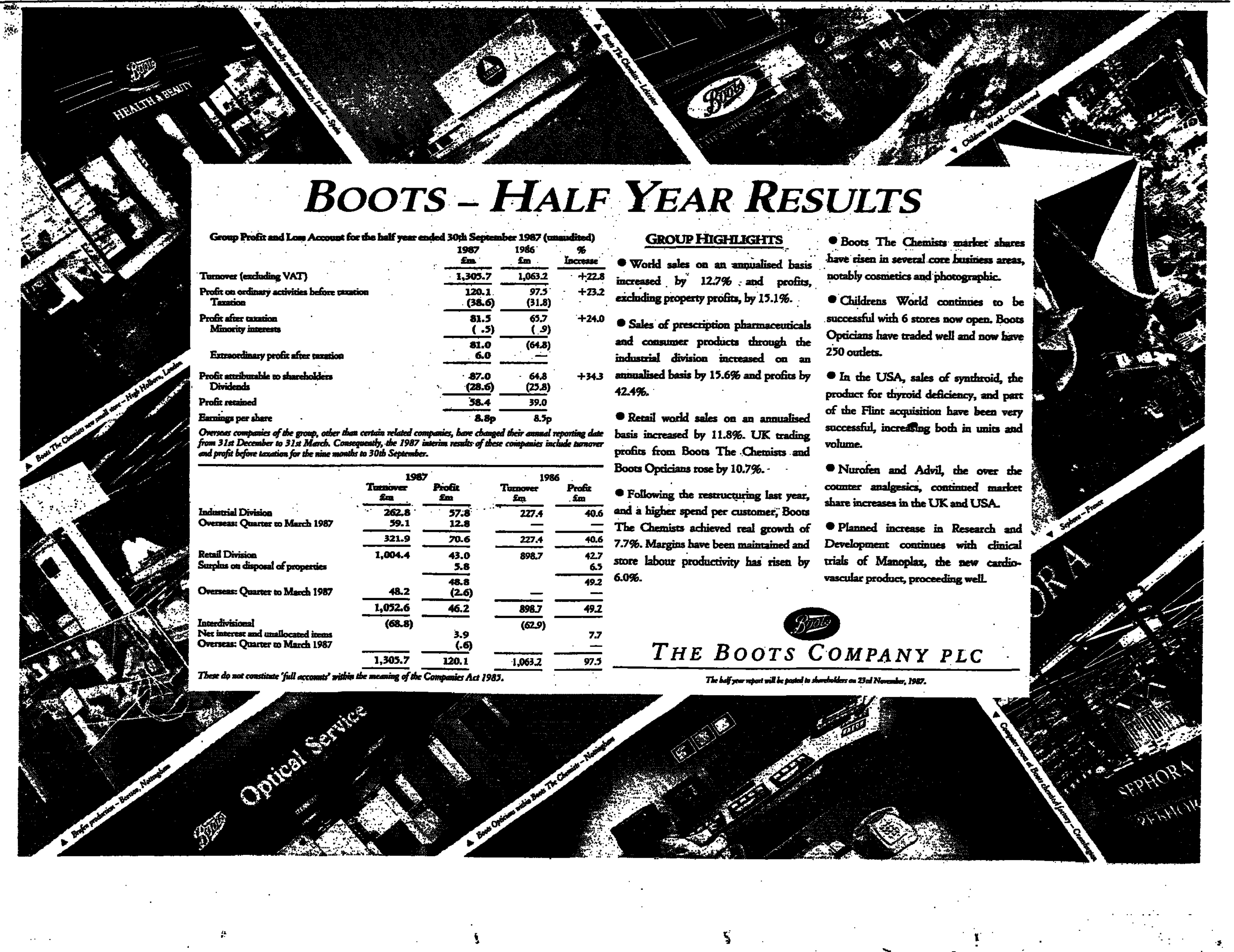
ANNOUNCING ITS first full set of results since coming to the USM last March, **JSB Electrical** has matched expectations with a pre-tax profit of £771,000 for the year ended September 30, an increase of nearly 51 per cent on 1985/86.

Earnings of this manufacturer of emergency and general lighting and fire detection equipment have moved ahead from 8.28p to 10.43p per 20p share and the total dividend is 2.5p, against a forecast of 2.4p, with a proposed final of 2p.

Mr Smith, chairman and managing director, said that sales of emergency lighting rose 28 per cent to £5.9m (£4.6m) but general lighting sales at £0.8m (£0.87m) were marginally down as a result of a fall in exports but Mr Smith said in that in overseas markets JSB was not prepared to accept orders where profit margins were unsatisfactory. Sales of fire detection systems continued to grow with sales increasing by 59 per cent to £1.1m (£0.69m).

The current year had started with a strong order book and a healthy balance sheet and Mr Smith was confident that the company would produce another good set of results at the end of 1987/88.

Total turnover last year was up from £6.19m to £7.82m - £900,000 (£1.24m) of which was applicable to overseas sales. Operating profits were £792,000



RISK IS EVERYWHERE.

Michael DiCerbo, "Infernus," acrylic on canvas, 1984. From the Refco Collection.

THAT'S WHY YOU NEED REFCO.

In every market, 24 hours a day, Refco is ready to help you manage risk. Refco Group: world leader in financial risk management through the use of futures and options.

REFCO® GROUP LTD.

Chicago • New York • Memphis • Toronto • London • Paris • Singapore • Sydney • Hamburg • Rome • Zurich and other leading cities.

Cuban shortfall benefits Thailand

THAILAND IS profiting from a shortage of exportable Cuban sugar, and has raised premiums to its main markets to between 0.03 and 0.05 cents a lb from 10 to 15 cents, **Reuter reports from Bangkok.**

An official from the state-owned Thai Cane and Sugar Corporation said China, Japan and the Soviet Union ordered Thai sugar because Cuba, normally their main supplier, was unable to fulfil export quotas this year. He did not say how much sugar they had ordered.

Thai exports to these countries, even with the new premium on the 7 cents per pound spot price, was more competitive than Brazilian sugar, the second major shipper after Cuba, he said.

Thailand, the world's fourth largest sugar exporter, is expected to export 1.90m tonnes worth baht 8.5bn ($340m) this year against 1.96m tonnes worth baht 7.3bn last year, according to the Board of Trade.

A price dispute between local sugar millers/exporters and planters was resolved last week.

Traders in Tokyo said Thai raw sugar had been trading at a premium of 0.04 to 0.05 cents a lb over the New York sugar market price.

In early October Thai sugar was quoted at a discount of about 20 to 25 points and there usually is a discount this time of the year.

A high premium on Thai sugar is expected to remain until Feburary or March next year, because of uncertainty over Cuba's export capability, lower estimates of Thailand's new crop and strong demand.

Japan mainly depends on South Africa, Thailand, Australia and Cuba for its sugar imports. But it is understood that Japan could not import as much sugar from South Africa because of political pressure related to the US economic sanctions.

Black Monday blues blight sugar launch

NEW YORK'S Coffee, Sugar and Cocoa Exchange started its new white sugar futures contract at an inauspicious time for futures trading.

Just a week into the new contract, the stock market collapsed and commodities trade slumped as brokers liquidated positions to cover losses elsewhere. Indeed, two days after Black Monday, open interest in raw sugar futures at the CSCE fell by 10,000 lots.

This has hit the new white sugar contract, which, traders remark, was primarily intended as a hedging vehicle for raw sugar. They expect a return of volatility to raw sugar to fuel a pick-up in white sugar business.

New York's white sugar futures market is also little helped by the popularity of an automated sugar futures contract in London. The London Futures and Options Exchange successfully launched black box trading of sugar earlier this year.

Mr Bennett Corn, CSCE president, who says the exchange is working on its own automation project, is still confident of attracting increased activity to white sugar.

He is relying on the sugar industry's support for the CSCE's buoyant raw sugar futures to spread into white sugar, which so far has established an open interest (amount of unmatched trades) of 500 contracts.

Raw sugar futures and options account for over half the exchange's business of roughly 25,000 lots a day, and the CSCE expects to build white sugar futures volume to around 20 per cent of that figure over the next few years.

CSCE argues, its contract would see an influx of hedging orders fromdomestic producers.

Fundamentals in the world sugar market are keeping prices stable, however, and a rush into futures seems unlikely in the forseeable future. Ms Weissman expects to see some upturn in price as China, India and the Soviet Union buy in the cash

Deborah Hargreaves on the difficulties facing New York's fledgling white sugar futures market

Indeed, the CSCE stresses that its strong position in raw sugar has been built almost wholly on business from overseas.

The US domestic sugar industry has little need to hedge in the futures market as government price support has kept prices almost three times higher than the world market level in recent years.

In fact, Ms Judy Weisseman, a sugar trader at Shearson Lehman, estimates that the US could become self-sufficient in sugar production in the next couple of years because high prices, backed up by a curb on imports, have encouraged rising output.

If government support were reduced or even removed, the market, "but, as usual in this market, there is a limit to the upside because of the build-up of stocks over the last few years."

World sugar stocks are currently estimated at 35m to 36m tonnes with annual consumption at around 104m tonnes.

As the bulk of the CSCE's commodities are produced in developing countries, the exchange spends a lot of time on efforts to inform and educate producers about the use of its futures.

This policy has begun to pay off, although several Latin American and Caribbean countries are inhibited from hedging by restrictive foreign exchange controls. Instead, major trading houses will take on the hedging risk for the producers.

But "as more of these countries develop their own regional markets, they realise the importance of getting involved in a global arena," Mr Corn comments. He points to a Bill currently being considered in Colombia to permit the country's central selling agency to use the CSCE's coffee futures contract.

The introduction of options contracts for coffee a year ago and cocoa in March, to augment raw sugar options - the first options contract to start up in the US since October 1982 - has attracted a more speculative interest. "A lot of dealers are integrating options into the physical market," Mr Corn explains.

Quota and price agreements among producers, however, can have a dampening effect on price volatility, which is the lifeblood of an exchange's business.

There is currently some concern that the export quota arrangement between coffee producers could reduce the involvement in the CSCE's coffee futures. But the exchange points out that the $1.20-$1.40 price range agreed by the producers still allows day to day volatility.

Nevertheless, the CSCE is feeling the pressure to diversify its base away from the vagaries of commodity prices. But so far, its efforts have been less than successful.

The exchange's attempt to trade a futures contract based on the consumer price index is yet to work out, largely because of the lack of an underlying cash market.

Its recent move into the financial area is in tandem with the American Stock Exchange. Both exchanges have filed to trade futures and options based on a new index of 50 blue-chip foreign stocks listed in the US.

The CSCE, which plans to trade futures on the International Market Index, says it will be the first broad, worldwide index with real-time pricing of component securities during the US trading day.

Mr Corn is keen to diversify, while at the same time, realising the need to protect the exchange's core business. White sugar options could be next on the commodity agenda once corresponding futures gets off the ground.

US growers' protection under attack in Congress

BY NANCY DUNNE IN WASHINGTON

A BIPARTISAN group of 34 Senators and Congressmen is backing legislation which in the next four years would end US sugar price supports and increase the sugar import quota.

One of group's leaders is Senator Bill Bradley, the New Jersey Democrat who shepherded tax reform through the Con- gress.

He told a press conference that sugar was "a minor crop in the US. That is why it is ludicrous to benefit 10,000 growers at the expense of US strategic interests, hundreds of thousands of American workers and millions of American consumers."

The proposal would reduce the domestic loan rate for sugar from the current level of 18 cents a lb by 1.5 cents a year until it reached 12 cents in 1991. It would also increase the sugar import quota, currently at about 1m short tonnes, by 500,000 tonnes a year over the next four years.

Unless the Bill is passed, the US will be forced to completely ban sugar imports in order to maintain prices and keep excess sugar out of the market, the sponsors said.

The Reagan Administration, which originally approved the sugar price supports, has in the past few years reversed its stance as the quotas took a toll on relations with sugar-producing Latin American countries. The costs of lost sugar markets is believed to have wiped out gains achieved through the President's Caribbean Basin Initiative, introduced a few years ago to broaden duty-free access to the US for Caribbean commodities and a range of manufactures..

The Bill's sponsors estimated that it would lower the price of sugar to US consumers by $3bn a year, but opponents dismissed it as an effort to help the big sugar corporations.

Senator Bill Roth, a Delaware Republican, maintained that "the Government's price support system for US sugar production may be sweetening the profits of sugar producers, but it is at a bitter cost to consumers."

•The US Agriculture Department has been forced to halve the annual allocation of cheese, milk, honey and rice for distribution to needy Americans because of reduction in Government-held surpluses. Much of the Government's surplus mountains has been used in subsidy programmes, like the export enhancement programme, and for payments to American farmers.

UK outlines farm diversification plan

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

DETAILS OF a new scheme to help British farmers find alternative sources of income to boost declining revenues from farming were announced in London yesterday by Mr John Gummer, the Minister of State for Agriculture.

The new scheme is part of the £25m a year "Alure" package (Alternative Land Use and the Rural Economy) which was announced last spring and will be implemented over the next few months.

The new scheme envisages aid to farmers of some £3m a year to help them establish a wide range of on-farm enterprises, including food and timber processing, sport and recreational activities, farm shops, restuarants and nature trails.

Grants will cover one quarter of the cost of capital investments worth up to £35,000. Farmers will have to submit plans, but can expect further grants for feasibility studies and marketing.

Mr Gummer said yesterday that the new diversification scheme would be financed nationally rather than be under European Community auspices. That would make it simpler to operate and would mean slightly larger grants were possible.

Not all farmers would want to diversify, nor would it be right for them to attempt it, Mr Gummer said. He believed, however, that the scheme would enhance opportunities for many farmers, contribute to employment and add to the vitalityof the rural economy.

Ministry ruled out of dairy court case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A RENEWED attempt to involve the Ministry of Agriculture, Fisheries and Food in a pending £12m damages action in the High Court has failed in the Court of Appeal.

In the action, fixed for trial in June, 1989, An Bord Bainne Cooperative (The Irish Dairy Board) complains about a dual pricing system formerly operated in the UK for milk used in the manufacture of butter.

The system was ended in 1984 after the European Commission began proceedings in the European Court of Justice alleging that it breached Community law, an allegation upheld by the Luxembourg court last December.

The Irish Board's complaint is that as a result of the system it was forced to sell its Kerrygold packet butter at a loss to protect its share of the UK market.

It is claiming damages from the Milk Marketing Board and the Dairy Trade Federation and the committee they appoint to set milk prices.

The Dairy Trade Federation applied to have the Ministry involved in the action so that it could claim damages against it on the ground that it had breached a Community regulation by failing to ensure that the MMB, the Federation and the pricing committee complied with Community law.

Yesterday the Court of Appeal agreed with a High Court judge that the Federation's application was legally unarguable.

Lord Justice Lloyd said that a breach of the regulation did not give rise to a damages claim against the Crown. The only remedy for ministerial action or inaction was by way of judicial review.

Gold outlook 'anyone's guess'

BY KENNETH GOODING, MINING CORRESPONDENT

THE PRICE of gold is likely to remain between $420 and $480 a troy ounce for the next year, said Mr Fraser Fell, chairman of Placer Dome, the group which emerged in August from the merger of three long-established Canadian mining companies.

But it was "anyone's guess" as to what would happen to the price in the medium term as new supplies came on stream.

He admitted that a great deal would depend on investment in gold - which "has a big load to bear".

This point is made by other observers, among them Mr Reg Eccles of Metals and Minerals Research Services who estimates from known resources that world gold supplies in 1990 will fall to 1,918 tonnes compared with 1,967 tonnes last year, while the offtake by fabricators is projected to decline more sharply to 1,462 tonnes in 1990 against 1,666 tonnes in 1986.

That would leave 456 tonnes available for investment in 1990 against 301 tonnes last year. So "there is the potential for price weakness in future if output continues to rise at current rates", says Mr Eccles.

Placer's Mr Fell was speaking in London during a whistle-stop European tour organised by brokers Dominion Securities which will include meetings in Geneva, Zurich, Frankfurt and Paris.

Placer currently is the largest gold producer outside South Africa and the Soviet Union. The group's gold production this year is projected to reach nearly 1m ounces with the parent company's net share being about 800,000 ounces.

Placer's overall cash operating cost in 1987 has averaged $200 an ounce of gold, said Mr Fell, while the Campbell mine in Canada, the largest contributor to its gold production, had costs of about $130 an ounce.

Questioned about the recent fall in the value of the US dollar, Mr John Walton, Placer's president, said that every one cent change between the Canadian and the US dollar had a C$3.6m impact on Placer's earnings.

Mr Walton revealed Placer is reviewing its 19 per cent shareholding in the Falconbridge group and might sell its 15 per cent stake in the Silver State company.

On the London bullion market yesterday the gold price closed at $464 a troy ounce, down 75 cents from Tuesday.

Ivory Coast opposed to cut in cocoa support

IVORY COAST opposes a cut in the intervention range of the cocoa buffer stock as favoured by consumers and Brazil, **Reuter reports from Abidjan.**

The official Ivorian daily, Fraternite Matin, said Brazil was alone among countries of the Cocoa Producers Alliance in believing that reactivating the buffer stock would lift the market by £20 a tonne.

Brazil is demanding a cut in the intervention range and a resumption of buffer stock rotation and purchase operations.

"The Ivory Coast does not share this Brazilian view," Fraternite Matin said.

Commenting on the outcome of a meeting of the Cocoa Producers Alliance in Lagos earlier this month, the journal's commodities specialist wrote that a rise of £100 a tonne was needed to bring the market back to reasonable levels.

Cocoa prices in London on Tuesday fell to near five-year lows at £1,105 a tonne basis key March, partly depressed by prospects for a fourth consecutive year of world production surplus.

The International Cocoa Organization (ICCO) is to discuss resumption of buffer stock buying at a meeting on London starting on November 30.

Fraternite Matin accused Brazilian producers and manufacturers of collusion, with the manufacturers wanting cocoa at low prices with the endorsement of the international accord to make a profit abroad.

"The countries of the Alliance, except Brazil, believe that a resumption of buffer stock operations...will not be able to lift the market by £20 a tonne."

Oil price decline continues

BY FRANK GRAY

OIL PRICES yesterday continued to slide closer to the $17 per barrel level in the face of continued quota-breaking by members of the Organisation of Petroleum Exporting Countries and increasing market indifference to the Gulf War.

In London, Brent spot crude traded at $17.20 a barrel, down from a range of $17.30 to $17.50 at Tuesday's close while the price for December delivery slipped to $17.37½ from $17.53½.

Analysts at Kleinwort Grieveson Securities said the fall was aggravated by the Egyptians, whose daily output of Suez blend was now 800,000 barrels per day. On Tuesday, Egypt, which is not an Opec member, reduced its crude price to $15.90 per barrel.

The market slide in Europe followed an easing of prices on the Far East spot market earlier yesterday. Brent traded at $17.53 in Tokyo for January delivery, 11 cents below the previous close, while Dubai crude was quoted at $16.40-$16.50 for January, down 15 cents.

Grieveson said that with continued Opec overproduction, now at 19m b/d, compared with the organisation's official quota of 16.6m b/d, a further market substantial market fall looked inevitable.

It is aggravated by the latest American Petroleum Institute report showing a buildup in US crude and distillate stocks, such as heating oil. This did not bode well for stronger oil prices as Opec ministers prepared for their Vienna meeting next month.

•The Norwegian Government has decided to exclude the rich Statfjord oil field from its overall 7.5 per cent oil production cuts to avoid possible conflicts with Britain, which has a 16 per cent stake in the field, **writes Karen Fosell from Oslo.**

The production cut measure was taken last February to help the Organisation of Petroleum Exporting Countries prop up sagging oil prices. The measure cut Norway's production level by 80,000 barreps per day from a total level of about 1m b/d.

Announcing the decision to exclude Statfjord Mr Arne Oeien, the Oil Minister, said its share of the cut would be transferred to the all-Norwegian Gullfaks field and the move would "simplify relations with the British."

This has given rise to speculation that the Gullfaks field has run into serious production problems and that the measure will help buy time to solve these.

Mr Oeien said Norway stood by its production-cutting programme as a contribution to market stabilisation. But he expressed the hope that Opec Ministers would be able to stabilise world oil prices

WORLD COMMODITIES PRICES

LONDON MARKETS

THE DOLLAR'S sharp fall against sterling ironically brought fresh life to the London Metal Exchange copper market yesterday, helping to push the cash Grade A position up £60 to £1,472.50 at the close and widening the cash premium over three months metal to £246 a tonne. Dealers said the market continued to follow the lead given by New York's Comex where traders were concerned about a further drawdown from stocks, which are already exceptionally low, and where the dollar's weakness is clearly a bull factor. In the sterling denominated London market sterling strength against the dollar would normally be expected to depress prices, but sentiment is increasingly being perceived in dollar terms. Not so the LME zinc market. This yesterday displayed the classic response to a dollar slide

SPOT MARKETS

Crude oil (per barrel FOB December)		+ or -
Dubai	$16.25-16.35	-0.125
Brent Blend	$17.35-17.40	-0.16
Dubai	$18.18-18.22	-0.125

Oil products (NWE prompt delivery per tonne CIF September)		+ or -
Premium Gasoline	179-182	-0.5
Gas Oil	155-157	-5
Heavy Fuel Oil	80-81	-4
Naphtha	150-152	-2

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♦	$464.00	-0.75
Silver (per troy oz)♦	658c	-14
Platinum (per troy oz)	$504.00	-2.25
Palladium (per troy oz)	$110.00	-1.85
Aluminium (free market)	$1750	
Copper (US Producer)	107-117c	
Lead (US Producer)	42.00c	
Nickel (free market)	272c	
Tin (European free market)	£4005	+10
Tin (Kuala Lumpur market)	17.40r	+0.11
Tin (New York)	326.00c	
Zinc (Euro. Prod. Price)	$820-870	
Zinc (US Prime Western)	$43.375	
Cattle (live weight)†	99.16p	-0.16*
Sheep (dead weight)†	186.74p	-5.91*
Pigs (live weight)†	72.74p	-1.73*
London daily sugar (raw)	$193.00w	+2.80
London daily sugar (white)	$193.40w	+1.40
Tate and Lyle export price	£212.50	-2.00
Barley (English feed)	£109.00	+0.50
Maize (US No. 3 yellow)	£132.55	+1.30
Wheat (US Dark Northern)	£90.75y	
Rubber (spot)¥	62.00p	-0.50
Rubber (Dec) ¥	63.50p	-0.50
Rubber (Jan) ¥	63.50p	-0.50
Rubber (KL RSS No 1)	258.50m	-2.50
Coconut oil (Philippines)§	$485.00s	+10.00
Palm Oil (Malaysian)§	$370.00y	
Copra (Philippines)§	$320.00y	
Soyabeans (US)	$141.50	+1.50
Cotton "A" index	77.50c	+0.30
Wooltops (64s Super)	480p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. s-Jan/Feb. v-Nov/Dec. y-Dec. † Meat Commission average fatstock prices * change from a week ago. ¥ London physical market. § CIF Rotterdam. ♦ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Dec	1088	1075	1092 1074
Mar	1120	1106	1125 1110
May	1140	1125	1143 1131
Jly	1160	1147	1162 1156
Sep	1180	1165	1180 1174
Dec	1206	1192	1206 1200
Mar	1232	1217	1232 1228

Turnover: 2503 (4086) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 18: 1437.24 (1414.77) .10 day average for November 19: 1432.19 (1431.34) .

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1236	1247	1246 1235
Jan	1269	1279	1282 1268
Mar	1294	1303	1304 1291
May	1322	1328	1328 1319
Jly	1340	1350	1346 1338
Sep	1365	1372	1373 1362
Nov	1390	1395	

Turnover: 2467 (2943) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 17 :Comp. daily 115.91 (115.45) . 15 day average 114.32 (114.05).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	174.00	167.00	169.50 166.80
Mar	176.40	172.60	177.00 173.00
May	176.20	173.00	176.40 173.40
Aug	176.80	173.00	176.60 174.00
Oct	178.00	174.80	178.00 175.00
Dec	180.40	178.20	
Mar	184.00	181.00	

White	Close	Previous	High/Low
Mar	205.70	201.00	206.00 201.50
May	211.50	205.50	210.00 207.00
Aug	215.50	210.00	214.50 210.00
Oct	217.50	210.00	215.00 212.70
Dec	218.00	212.00	215.00 215.00
Mar	223.00	217.50	221.00 220.00
May	227.00	222.00	

Turnover: Raw 4084 (1540) lots of 50 tonnes. White 3609 (2046) .
Paris- White (FFr per tonne):Mar 1175, May 1200, Aug 1235, Oct 1240, Dec 1250, Mar 1280.

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	156.75	160.50	159.00 155.75
Jan	156.25	159.25	157.25 155.00
Feb	155.00	158.00	155.75 153.75
Mar	153.00	154.00	153.00 151.00
Apr	150.00	151.75	150.00 149.00

Turnover 8263 (4351) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	113.60	112.90	113.60 113.35
Jan	114.90	114.40	115.00 114.90
Mar	116.85	116.50	117.00 116.80
May	119.00	118.65	119.20 119.00
Jly	122.00	121.60	122.10 122.00
Sep	102.25	102.25	102.25
Nov	104.25	104.25	

Barley	Close	Previous	High/Low
Nov	105.75	105.85	105.85
Jan	107.95	107.85	108.10 108.00
Mar	109.80	109.95	110.10 109.75
May	111.75	111.90	112.00
Sep	98.70	98.95	
Nov	100.70	100.85	

Turnover: Wheat 201 (541), Barley 188 (192). lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 650 tonne
Cash	1765-85	1725-40		1745-55		
3 months	1715-35	1670-90	1720/1710	1705-15	unquoted	2,458 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 23,350 tonne
Cash	998-1000	968-70	990	968-9		
3 months	957-7.5	932-3	959/950	951-2	953-4	60,783 lots
Copper, Grade A (£ per tonne)						Ring turnover 55,100 tonne
Cash	1470-5	1412-3	1473/1460	1470-6		
3 months	1226-7	1203-4	1228/1210	1217-9	1227-8	79,830 lots
Copper, Standard (£ per tonne)						Ring turnover 50 tonne
Cash	1400-5	1340-60	1380/1375	1400-6		
3 months	1215-20	1195-200		1205-10		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	650-5	685-9		681-4		
3 months	668-71	677-81		673-6	668-71	2 lots
Lead (£ per tonne)						Ring turnover 8,425 tonne
Cash	377-9	373-4		375-6		
3 months	354-5	349-50	356/349	352.5-53	352-3	13,472 lots
Nickel (£ per tonne)						Ring turnover 1,098 tonne
Cash	3275-95	3295-305		3295-305		
3 months	3250-70	3265-70	3290/3270	3265-70	3250-70	8,400 lots
Zinc (£ per tonne)						Ring turnover 17,175 tonne
Cash	495-6	518-20		503-4		
3 months	493-4	505-6		502-3		15,269 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	102.00	101.30	102.00
Mar	91.00	92.00	
Apr	150.30	148.90	150.90 149.00
May	163.80	161.80	
Nov	75.00	75.00	
Feb	90.00	90.00	

Turnover 244 (226) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	141.00	140.50	141.00
Feb	139.50	185.00	140.00 139.50
Apr	138.00	137.50	137.00
Jun	128.00	129.00	128.00
Aug	126.00	127.00	
Oct	127.00	127.00	
Dec	129.00	129.00	

Turnover 535 (53) lots of 100 tonnes

FREIGHT FUTURES $/index point

	Close	Previous	High/Low
Jan	1189.0	1189.0	1189.0 1175.0
Apr	1240.0	1232.0	1240.0 1215.0
Jly	1090.0	1104.5	1090.0 1090.0
BFI	1155.5	1154.0	

Turnover 202 (142)

WOOL
After a very brief setback Australian wool prices rose strongly again this week, reports Wool Record. The emphasis was again on finer merinos where increases were particularly sharp. The Australian Wool Corporation market indicator reached A$8.19 on November 19 (previous week A$8.55). The UK trade found more business as prices returned their rise but looking ahead there is a good deal of anxiety since traders' resistance to further increases is building up again. Bradford prices for most qualities of tops were up by 5-10p. China and the Soviet Union were repeatedly mentioned as important sources of demand in the world market.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	463¾-464¼	262-262½
Opening	464½-465	263¾-264¼
Morning fix	464.20	263.60
Afternoon fix	463.70	263.17
Day's high	464½-465	
Day's low	462½-463	

Coins	$ price	£ equivalent
US Eagle	477½-482½	269½-273
Mapleleaf	477½-482½	269½-273
Britannia	477½-482½	269½-273
Krugerrand	463½-466½	261¼-263¾
1/2 Krug	241-250	136-141¼
1/4 Krug	119-127	67¼-71¾
Angel	473-478	268-271
1/10 Angel	47-52	27-29¾
New Sov.	109-110	61½-62¼
Old Sov.	109-110½	61½-62½
Noble Plat	516-525	293¾-298¼

Silver fix	p/fine oz	US cts equiv
Spot	378.35	668.25
3 months	388.85	678.85
6 months	395.05	691.15
12 months	412.70	719.56

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1650		93½		
1725			77	

Copper (Grade A)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2100			174	
2200		129		

Copper (Grade A)	Calls		Puts	
Strike price £ tonne	Jan	Mar	Jan	Mar
1250		46		

US MARKETS

Most of the action in precious metals took place early in the session with commission house selling in gold and silver touching off light stops to ease prices, reports Drexel Burnham Lambert. Short-covering towards the close pared losses. Platinum rallied on fund and commission house buying but failed to sustain gains as profit-taking set in. Copper steadied on trade buying in the March position and general commission house buying but the market fell back after encountering resistance at the highs before renewed trade buying pushed prices higher towards the close. Crude oil fell sharply on trade selling in response to bearish API statistics. The fund was an early buyer, but turned seller. However, late in the session local buying and short-covering caused the market to regain most of its losses. Sugar rallied on trade buying. Coffee firmed on trade buying in the face of commission house selling. Cocoa finished higher on trade and arbitrage buying which overcame speculative selling. Cotton finished lower on commission house selling and long-liquidation. Improved live cattle trade, higher cash and dressed beef prices firmed cattle futures, while heavy slaughterings, large hog runs, good supplies of bellies and erosion of product prices saw hog and pork belly futures ease. Grains were quiet. Wheat firmed on confirmation of purchases by both China and Bulgaria of wheat allocated under the subsidised programme. Maize and soya oil were two-sided.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	463.9	464.9	0 0
Dec	464.8	465.8	465.1 463.3
Jan	467.8	468.8	0 0
Feb	470.6	471.6	471.1 469.2
Apr	476.5	477.6	477.0 474.7
Jun	482.2	483.4	482.1 481.0
Aug	488.1	489.3	488.5 487.8

PLATINUM 50 troy oz: $/troy oz.

	Close	Previous	High/Low
Nov	501.5	502.8	504.0 500.0
Dec	503.7	504.8	0 0
Jan	506.0	507.1	510.5 499.5
Apr	513.5	514.8	517.0 510.0
Jly	521.5	522.9	524.0 517.0
Oct	529.5	530.9	527.5 527.5
Jan	538.0	539.4	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	661.4	671.2	0 0
Dec	665.5	677.0	669.5 655.0
Jan	668.3	677.0	0 0
Mar	676.8	687.0	683.0 669.0
May	685.6	696.0	693.0 680.0
Jly	694.5	705.1	703.0 688.0
Sep	703.9	714.6	705.0 705.0
Dec	718.5	729.4	723.0 710.0
Jan	723.2	734.2	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	105.30	102.35	105.40 102.90
Dec	103.90	100.10	104.00 100.45
Jan	101.00	97.50	98.00 98.00
Mar	96.00	92.35	96.10 92.85
May	89.40	87.25	89.50 87.80
Jly	86.50	85.00	86.25 85.50
Sep	85.90	84.70	85.85 85.00
Dec	85.80	84.50	85.90 84.60
Jan	85.80	84.50	0 0
Mar	85.50	84.50	0 0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Dec	18.23	18.32	18.25 18.05
Jan	18.24	18.29	18.25 18.05
Feb	18.21	18.24	18.22 18.05
Mar	18.20	18.22	18.22 18.05
Apr	18.14	18.17	18.16 18.02
May	18.11	18.13	18.14 18.02
Jun	18.14	18.12	18.14 18.02
Jly	18.07	18.12	18.07 18.07
Aug	18.00	18.02	18.00 18.00
Sep	17.98	18.00	17.98 17.98

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	54.48	55.15	54.50 53.50
Jan	54.05	54.50	54.05 52.80
Feb	53.50	53.85	53.50 52.40
Mar	51.50	51.80	51.50 50.30
Apr	49.85	49.80	49.85 48.90
May	48.60	0	48.60 48.00
Jun	48.20	48.25	48.20 47.65
Jul	47.90	48.00	48.00 47.65

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1820	1788	1820 1799
Mar	1830	1802	1832 1818
May	1858	1830	1860 1846
Jly	1888	1858	1888 1878
Sep	1915	1889	1915 1909
Dec	1955	1928	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	127.67	126.92	127.75 127.00
Mar	131.99	130.98	132.00 131.20
May	133.84	132.79	133.85 133.15
Jly	135.13	134.20	135.15 134.50
Sep	137.13	136.88	136.50 136.00
Dec	137.50	138.00	0 0
Mar	138.75	138.28	0 0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	161.20	162.10	162.00 160.40
Mar	159.40	160.00	159.70 158.40
May	158.75	159.50	159.90 158.70
Jly	158.60	159.00	0 0
Sep	158.50	158.95	158.25 158.25
Jan	154.50	155.00	154.00 154.00
Mar	154.50	155.00	0 0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 17	Nov 16	mnth ago	yr ago
1691.7	1700.5	1640.1	1610.7

DOW JONES (Base: September 18 1931 = 100)

Spot	128.61	127.62		118.95
Futures	131.60	130.47		118.25

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.54	17.70	17.78 17.54
Jan	17.72	17.84	17.93 17.72
Mar	18.09	18.17	18.30 18.09
May	18.42	18.46	18.60 18.41
Jly	18.63	18.70	18.82 18.62
Aug	18.75	18.80	18.90 18.75
Sep	18.80	18.85	19.05 18.80
Oct	18.90	18.90	19.03 18.90
Dec	19.06	19.12	19.15 19.06

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	197.8	200.3	201.2 197.7
Jan	190.8	192.6	193.7 190.5
Mar	184.3	185.7	187.0 184.0
May	178.3	179.5	180.5 177.5
Jly	175.2	176.0	177.5 175.0
Aug	174.7	175.2	176.5 174.5
Sep	174.5	174.5	176.0 174.5
Oct	173.0	173.6	174.0 173.0
Dec	173.0	172.4	175.0 173.0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	295/4	293/2	296/4 294/4
Mar	305/6	304/2	307/4 305/2
May	302/6	306/0	307/4 302/2
Jly	290/2	292/0	295/0 290/2
Sep	294/4	296/4	297/0 294/4
Dec	303/0	305/0	0 0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	44.05	44.70	44.45 43.85
Feb	42.97	43.65	43.60 42.90
Apr	39.27	39.82	39.85 39.25
Jun	42.25	42.67	42.75 42.22
Jly	42.80	43.00	43.30 42.75
Aug	41.70	42.00	42.15 41.65
Oct	38.87	39.17	39.20 38.85
Dec	39.10	39.65	39.55 39.10

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	185/2	186/0	186/6 184/4
Mar	191/2	192/6	193/4 191/0
May	195/6	197/2	198/0 195/4
Jly	199/4	200/2	201/4 198/6
Sep	197/4	197/4	199/4 197/2
Dec	195/4	196/0	197/6 195/0
Mar	202/0	201/6	203/4 202/0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	54.40	56.35	56.12 54.35
Mar	54.32	56.27	55.95 54.27
May	55.75	57.62	57.15 55.62
Jly	56.20	57.85	57.40 56.85

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Nov	567/6	564/4	568/0 562/0
Jan	570/6	574/0	576/0 570/2
Mar	577/4	581/4	583/6 577/0
May	581/6	586/2	588/0 581/2
Jly	584/2	588/6	591/0 583/4
Aug	581/0	585/4	588/4 581/0
Sep	576/4	579/0	581/0 576/0
Nov	575/2	578/2	580/4 575/0
Jan	581/0	584/0	588/0 581/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	65.90	65.30	66.00 65.40
Feb	62.75	62.02	62.90 62.40
Apr	64.72	64.42	64.92 64.40
Jun	64.65	64.55	64.85 64.40
Aug	62.42	62.35	62.60 62.30

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly lower

The dollar finished a little down from yesterday's closing levels in London as attention remained focused on talks to achieve a cut in the US budget deficit.

The US unit had opened with a mixed response to its performance in the Far East and New York where claims and counter claims sent the dollar weaker and then firmer amid continued speculation as to whether White House and Congress representatives would agree to a package of reductions this week.

However there were suggestions that a solution could come soon after the close of business in London last night and consequently the dollar perked up.

Nevertheless some dealers were a little more cautious, pointing out that a $30bn cut in the budget deficit was likely to have been discounted to a large extent and that given current projections, the deficit was unlikely to show a year on year fall even with a $30bn cut.

Further uncertainty late in the afternoon followed comments made by US Senator Bob Dole when he suggested that some Senate Republicans might not back a budget plan worked out between Congress and the White House.

US housing starts fell a surprise 8.2 p.c. in October, the biggest monthly fall for over three years and a sharp contrast to September's revised increase of 4.0 p.c. However although not encouraging, the market was too wrapped up in the outcome of budget talks to pay too much attention.

The dollar closed at $1.6870 from $1.6935 and Y135.45 compared with Y135.70. Against the D-Mark it closed at DM1.6870 from DM1.6935. Elsewhere it finished at SFr1.3825 from SFr1.3900 and FFr5.7175 from FFr5.7325. On Bank of England figures, the dollar's exchange rate index, calculated before its late fall, was 96.9 against 96.8.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index 75.2 against 75.1 at the opening and 75.0 on Wednesday. The six months ago figure was 73.8.

Sterling finished towards its best level of the day, mainly at the expense of a weaker dollar. With attention remaining on the US unit, the pound tended to trade quietly on the sidelines.

PSBR figures released earlier this week added to its bullish undertone and while today's money supply and bank lending figures were expected to be less than complimentary, traders had discounted a bad figure to a large extent.

The pound closed at $1.7705 up from $1.7645 but was unchanged against the D-Mark at DM2.9875. It was slightly firmer against the yen at Y239.75 from Y239.50 and finished at SFr2.4475 from SFr2.4525 and FFr10.1225 from FFr10.1150.

Elsewhere the Bank of Italy bought French francs at the fixing in Milan as the franc lost ground within the European Monetary System. Recent dollar weakness amid concern about the US budget deficit was beginning to put further strain on the weaker members of the system.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.0 against 225.8 six months ago.

Reports that talks between *Congress and the White House* could reach an early settlement on cuts in the US budget deficit encouraged a slightly firmer trend from the dollar in Tokyo. Earlier in New York it had been depressed by rumours to the contrary.

It closed at Y136.05, unchanged from Tuesday but up from Y135.60 in New York. Trading was rather slow because speculators were unwilling to make decisions ahead of an announcement but some dealers suggested that a cut of $30bn had already been discounted on the plus side.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1982	+1.74	+0.96	±1.5344
Danish Krone	7.85212	7.94777	+1.22	+0.44	±1.6404
German D-Mark	2.05853	2.06409	+0.27	-0.51	±1.0981
French Franc	6.90403	7.00259	+1.43	+0.65	±1.3674
Dutch Guilder	2.31943	2.32407	+0.20	-0.58	±1.5012
Irish Punt	0.768411	0.776036	+0.99	+0.22	±1.6684
Italian Lira	1483.58	1514.96	+2.12	+1.89	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 18	Latest	Previous Close
£ Spot	1.7705-1.7715	1.7385-1.7395
1 month	0.30-0.29pm	0.31-0.29pm
3 months	0.63-0.60pm	0.70-0.65pm
12 months	1.80-1.70pm	1.97-1.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov 18	Previous
8.30	am	75.1	74.9
9.00	am	75.0	74.9
10.00	am	75.1	74.9
11.00	am	75.1	75.0
Noon		75.1	75.0
1.00	pm	75.1	75.0
2.00	pm	75.1	75.0
3.00	pm	75.1	75.1
4.00	pm	75.2	75.0

CURRENCY RATES

Nov 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	0.762967	0.691257
U.S. Dollar	6	1.34305	1.21488
Canadian $	8.75	-	1.59879
Austrian Sch.	4	16.0280	14.5524
Belgian Franc	7¾	47.6682	43.1982
Danish Krone	7	8.76810	7.94777
Deutsche Mark	3	-	2.06409
Neth. Guilder	4½	2.56521	2.32407
French Franc	9½	7.72388	7.00259
Italian Lira	12½	-	1514.96
Japanese Yen	2½	182.655	165.285
Norway Krone	8	8.64118	7.83418
Spanish Peseta	-	153.511	139.043
Swedish Krona	7½	8.18723	7.42112
Swiss Franc	3	1.86684	1.69112
Greek Drach.	20½	178.646	161.798
Irish Punt	-	-	0.776036

*C$/SDR rate for Nov 17 1.76836

CURRENCY MOVEMENTS

Nov 18	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.2	N/A
US Dollar	96.9	N/A
Canadian Dollar	77.2	N/A
Austrian Schilling	141.3	N/A
Belgian Franc	100.9	N/A
Danish Krone	93.5	N/A
Deutsche Mark	150.4	N/A
Swiss Franc	179.6	N/A
Guilder	138.3	N/A
French Franc	72.1	N/A
Lira	47.5	N/A
Yen	228.0	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Nov 18	£	$
Argentina	6.9250-7.0175	3.9300-3.9800
Australia	2.5290-2.5320	1.4375-1.4385
Brazil	104.60-105.15	59.35-59.65
Finland	7.2965-7.3095	4.1490-4.1510
Greece	232.05-236.15	131.75-133.95
Hong Kong	13.7290-13.7520	7.7945-7.7965
Iran	120.85	68.25
Korea(Sth)	1402.45-1415.10	795.20-801.60
Kuwait	0.49090-0.49140	0.27865-0.27875
Luxembourg	62.90-63.00	35.50-35.60
Malaysia	4.4090-4.4170	2.5035-2.5045
Mexico	3031.55-3035.05	1721.00-1722.00
N. Zealand	2.8320-2.8395	1.6090-1.6130
Saudi Ar.	6.6035-6.6090	3.7480-3.7485
Singapore	3.5985-3.6055	2.0435-2.0445
S. Af (Cm)	3.4985-3.5145	1.9940-1.9980
S. Af (Fn)	5.6340-5.8210	3.2000-3.3060
Taiwan	52.20-52.45	29.70-29.80
U.A.E.	3.6725-3.6735	6.4705-6.4765

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Nov 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7600-1.7730	1.7700-1.7710	0.29-0.26cpm	1.86	0.64-0.60pm	1.40
Canada	2.3153-2.3302	2.3300-2.3310	0.12-0.02cpm	0.36	0.11dis-0.01pm	-0.09
Netherlands	3.35¾-3.37¾	3.36¾-3.37¾	1⅛-2cpm	3.79	3⅝-3⅛pm	3.87
Belgium	62.36-62.80	62.90-63.00	12-9cpm	2.00	33-28pm	1.94
Denmark	11.47¾-11.52½	11.50-11.51	⅞-1½oredis	-1.24	3⅞-4⅞	-1.50
Ireland	1.1160-1.1290	1.1225-1.1235	0.05pm-0.02dis	-0.37	0.03pm-0.22dis	-0.45
W. Germany	2.98-2.99½	2.98¾-2.99¾	1⅝-1⅜pfpm	1.76	3⅝-3⅜pm	4.93
Portugal	240.24-243.38	241.47-243.38	46-103cdis	-3.69	242-371dis	-5.06
Spain	201.16-201.96	201.49-201.96	72-113cdis	-5.50	239-294dis	-5.28
Italy	2186½-2196	2193½-2194½	5-8liredis	-3.56	14-21dis	-3.19
Norway	11.31¼-11.42	11.41-11.42	5⅛-5½oredis	-5.58	16⅛-16⅞dis	-5.78
France	10.09-10.13	10.11¾-10.12¾	⅛pm-⅛cdis	-0.22	⅞-1⅛dis	-0.32
Sweden	10.73-10.80	10.75½-10.76½	⅛pm-⅜oredis	-0.26	1-1⅜dis	-0.38
Japan	239-240½	239½-240½	1⅛-1ypm	5.31	2⅞-2⅝pm	4.69
Austria	21.00-21.04	21.01-21.04	7⅜-6⅝gropm	4.10	22⅛-19⅝pm	3.98
Switzerland	2.44-2.45½	2.44½-2.45½	1¼-1⅛cpm	5.82	3⅛-2⅞pm	4.90

Belgian rate is convertible francs. Financial franc 63.15-63.25 . Six-month forward dollar 1.18-1.13cpm. 12-month 1.77-1.67cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7535-1.7725	1.7700-1.7710	0.29-0.26cpm	1.86	0.64-0.60pm	1.40
Ireland†	1.5630-1.5780	1.5770-1.5780	0.24-0.19cpm	1.64	0.64-0.54pm	1.50
Canada	1.3150-1.3180	1.3150-1.3160	0.15-0.18cdis	-1.50	0.42-0.45dis	-1.32
Netherlands	1.8950-1.9150	1.8980-1.8990	0.34-0.31cpm	2.04	1.18-1.13pm	2.42
Belgium	35.40-35.60	35.50-35.60	3dis-par	-0.51	8-3pm	0.62
Denmark	6.4885-6.5490	6.4950-6.5000	1.05-1.75oredis	-2.57	3.50-4.20dis	-2.36
W. Germany	1.6830-1.7020	1.6865-1.6875	0.49-0.46pfpm	3.36	1.53-1.48pm	3.55
Portugal	136.25-137.00	136.25-136.75	50-100cdis	-6.57	200-350dis	-8.03
Spain	113.50-114.55	113.50-113.60	65-85cdis	-7.87	185-215dis	-6.99
Italy	1238-1248	1238½-1239½	5.50-6.00liredis	-5.54	13.00-16.00dis	-4.66
Norway	6.4240-6.4590	6.4450-6.4500	3.90-4.25oredis	-7.60	11.60-12.00dis	-7.33
France	5.7120-5.7650	5.7150-5.7200	0.90-1.05cdis	-2.04	2.40-2.70dis	-1.77
Sweden	6.0750-6.1110	6.0750-6.0800	1.05-1.20dis	-2.21	2.90-3.30dis	-2.03
Japan	135.20-136.15	135.40-135.50	0.37-0.33ypm	3.09	1.14-1.09pm	3.28
Austria	11.84½-11.96¼	11.85¼-11.85¾	2.70-1.70gropm	2.21	9-7pm	2.68
Switzerland	1.3810-1.3940	1.3820-1.3830	0.48-0.43cpm	3.93	1.26-1.21pm	3.55

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.65-35.75.

EURO-CURRENCY INTEREST RATES

Nov 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	8⅞-8⅝	8⅞-8⅝	8⅞-8⅞	9-8⅞	9-8⅞	9⅛-9
US Dollar	6⅝-6⅛	6⅝-6⅝	7-6⅞	7⅛-7⅜	7⅜-7⅞	7⅞-7⅞
Can. Dollar	8¼-7⅞	8¼-8	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	9⅛-9⅛
D. Guilder	4⅞-4⅝	4⅞-4⅝	4⅞-4⅞	5⅛-4⅞	5⅛-5	5⅛-5⅛
Sw. Franc	1⅝-1½	1⅝-1½	3⅛-3	4⅛-3⅞	4⅛-3⅞	4⅛-3⅞
Deutschmark	3⅞-3⅝	3⅝-3½	3⅞-3⅝	4⅛-3⅞	4⅛-4⅛	4⅛-4⅛
Fr. Franc	8⅛-8	9-8⅝	9-8⅝	9⅛-9	9⅛-9	9⅛-9
Italian Lire	11-10	12⅛-10⅛	12⅛-11⅛	12-11½	12-11½	12-11½
B. Fr. (Fin)	6⅝-6¼	6⅝-6⅝	6⅝-6⅝	7⅛-6⅞	7⅛-7	7⅛-7⅛
B. Fr. (Con.)	6½-6	6⅝-6⅝	6⅞-6½	7⅛-6⅞	7⅛-6⅞	7⅛-6⅞
Yen	3⅞-3⅛	3⅞-3⅛	4⅛-3⅞	4⅞-4⅛	4⅞-4⅛	4⅞-4⅛
D. Krone	9⅞-9⅛	10⅛-9⅞	10⅛-9⅞	10⅞-10⅛	10⅞-10⅛	10⅞-10⅛
Asian $Sing	6⅞-6⅞	6⅞-6⅞	7⅛-6⅞	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞

Long term Eurodollars: two years 8⅛-8⅛ per cent; three years 9-8⅞ per cent; four years 9-9⅛ per cent; five years 9½-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov 18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.771	2.986	239.8	10.12	2.448	3.363	2194.	2.331	62.95
$	0.565	1.	1.687	135.5	5.718	1.383	1.899	1239.	1.316	35.55
DM	0.335	0.593	1.	80.25	3.388	0.819	1.126	734.4	0.780	21.07
YEN	4.171	7.385	12.46	1000.	42.22	10.21	14.03	9151.	9.721	262.6
F Fr.	0.988	1.749	2.951	236.8	10.	2.418	3.332	2167.	2.302	62.19
S Fr.	0.409	0.723	1.221	97.96	4.136	1.	1.374	896.4	0.952	25.72
H Fl.	0.297	0.527	0.888	71.30	3.010	0.728	1.	652.5	0.693	18.72
Lira	0.456	0.807	1.362	109.3	4.614	1.116	1.533	1000.	1.062	28.69
C $	0.429	0.760	1.282	102.9	4.349	1.050	1.443	941.4	1.	27.01
B Fr.	1.589	2.813	4.746	380.9	16.08	3.888	5.342	3485.	3.702	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Mood of caution

INTEREST RATES were steady in London yesterday, as the market adopted a cautious approach to negotiations on the US budget deficit.

Three-month sterling interbank was unchanged at 9-8⅞ p.c. with international events continuing to dominate sentiment.

Today's UK money supply and bank lending figures for October are expected to show a sharp rise in M3, because of Bank of England intervention on the foreign exchanges, coupled with strong credit growth.

UK clearing bank base lending rate 9 per cent from November 5

Bank lending has been forecast to rise by £3bn to £4.5bn, but the need for international agreement on interest rates is likely to outweigh domestic considerations. It is not considered out of the question there will be another cut in UK bank base rates, as part of a Group of Seven agreement, although under normal circumstances this would be precluded by domestic factors.

The Bank of England initially forecast a money market shortage of £100m, but revised this to £250m at noon, and to £300m in the afternoon. Total help of £135m was provided.

Before lunch the authorities bought £100m bills outright, by way of £75m bank bills in band 1 at 8⅞ p.c. and £25m bank bills in band 2 at 8⅞ p.c.

In the afternoon the Bank of England purchased another £20m bank bills in band 1 at 8⅞ p.c.

Late assistance of around £15m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £179m, with a rise in the note circulation absorbing £85m. These outweighed Exchequer transactions adding £85m to liquidity, and bank balances above target of £60m.

In Amsterdam the Dutch Central Bank offered six-day special advances at an unchanged 4.8 p.c. from November 19, to relieve money market tightness.

The amount will be set at today's tender, and replaces Fl 4.7bn of three-day advances expiring today. The central bank cut the rate on advances to 4.8 p.c. from 5.1 p.c. last Friday.

In Paris the Bank of France announced a tender for FFr8.5bn of fixed rate negotiable Treasury bills on November 23. The total is made up of FFr4bn of 13-week bills, FFr2bn of two-year bills and FFr2.5bn of five-year bills.

At the last tender on Monday the central bank sold FFr10.87bn of 13-week, 26-week and 52-week bills.

In Tokyo the Bank of Japan indicated it was not prepared to ease its monetary policy, even if negotiations between the White House and Congress resulted in a cut in the US budget deficit.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.18) 3 months US dollars		6 months US Dollars	
bid 7⅜	offer 7½	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8.75
Broker loan rate	8.00
Fed.funds	6¼
Fed.funds at intervention	6⅞

Treasury Bills and Bonds

One month	4.03	Three year	8.00
Two month	5.19	Four year	8.22
Three month	5.97	Five year	8.37
Six month	6.54	Seven year	8.67
One year	6.96	10-year	8.87
Two year	7.71	30-year	8.94

Nov.18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.50-3.60	3.50-3.65	3.80-3.95	3.85-4.00	3.90-4.05	5.50
Paris	8.5625	8.6875	8.6875	8.8125	8.9375	8.25
Zurich	1.00	3.00	-	3.875	-	-
Amsterdam	4.6875	4.9375	-	5.0625	-	-
Tokyo	3.53125	3.84375	-	3.96875	-	-
Milan	10.25	11.375	-	11.75	-	-
Brussels	6.25	6.6875	-	7.00	-	-
Dublin	6.00	8.875	9.125	9.375	9.50	-

LONDON MONEY RATES

Nov.18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10.00	8.9375	8.9375	9.00	9.00	9.125
Interbank Bid	7.00	8.8125	8.8125	8.875	8.875	9.00
Sterling CDs	-	-	8.9375	8.875	8.8125	8.8125
Local Authority Deps.	8.50	8.75	8.875	8.875	8.875	9.00
Local Authority Bonds	-	-	9.4375	9.4375	9.50	9.5625
Discount Mkt Deps.	8.50	8.625	8.75	8.00	-	-
Company Deposits	9.00	9.00	9.00	9.0625	9.0625	9.125
Finance House Deposits	-	-	8.875	9.00	9.00	9.125
Treasury Bills (Buy)	-	-	8.75	8.5625	-	-
Bank Bills (Buy)	-	-	8.75	8.59375	8.46875	-
Fine Trade Bills (Buy)	-	-	9.375	9.21875	9.09375	-
Dollar CDs	-	-	6.95-6.90	7.35-7.30	7.45-7.40	8.00-7.95
SDR Linked Dep Offer	-	-	6.125	6.50	6.5625	6.6875
SDR Linked Dep Bid	-	-	5.875	6.25	6.3125	6.4375
ECU Linked Dep Offer	-	-	7.00	7.3125	7.3125	7.4375
ECU Linked Dep Bid	-	-	6.875	7.1875	7.1875	7.3125

Treasury Bills (sell): one-month 8⅜ per cent; three months 8⅜ per cent; Bank Bills (sell): one-month 8⅞ per cent; three months 8⅜ per cent; Treasury Bills: Average tender rate of discount 8.2877 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day OCTOBER 30, 1987. Agreed rates for period NOVEMBER to DECEMBER, 1987, Scheme I: 11.36 p.c., Schemes II & III: 11.29 p.c. Reference rate for period OCTOBER 1 to OCTOBER 30, 1987, Scheme IV: 10.094 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10.5 from NOVEMBER 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.5 per cent; one-three months 8.00 per cent; three-six months 8.00 per cent; six-nine months 8.00 per cent; nine-twelve months 8.00 per cent; Under £100,000 8.00 per cent from November 5, Deposits withdrawn for cash 5.00 per cent.

FINANCIAL FUTURES

Entering a quiet phase

FUTURES TRADING appears to have entered a quiet phase, with traders reluctant to run positions, and content to job from day to day.

There are said to be indications of a general pulling out of the markets in Chicago, London and elsewhere, for fear of risking further losses, after the recent fall in equity markets, or to protect gains made in fixed interest futures.

It was suggested that movements in gilts have become simply a reverse reaction to equity trading, and that it is increasingly difficult to gauge how the various markets should react to news, including negotiations on the US budget deficit.

A trader on *Liffe* said there was a school of thought that the last thing to do when expecting a recession was to make large cuts in the deficit. Other opinions doubted the resolve of the *White House and Congress* to agree on significant cuts, and that earlier forecasts of a figure around $30bn now seemed too optimistic.

There were growing fears that any reduction in this year's budget figure would include a large proportion of asset sales, and that there might still be a problem agreeing a reduction above the $23bn called for in the Gramm Rudman law.

December long term gilt futures opened lower at 122-19, and fell to a low of 122-05, but rallied in the afternoon to a peak of 122-27, before closing at 122-16, compared with 122-29 on Tuesday.

Three-month sterling deposit futures began little changed at 91.25 for December delivery. This was the highest level of the day, with the contract finishing at the day's low of 91.16, against 91.24 previously, on caution ahead of today's UK money supply and bank lending figures for October.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	6.32	7.28	0.00	0.62
118	4.33	5.62	0.01	1.32
120	2.40	4.42	0.08	2.12
122	0.63	3.34	0.31	3.04
124	0.12	2.40	1.44	4.10
126	0.03	1.56	3.35	5.26
128	0.01	1.21	5.33	6.55
130	0.00	0.59	7.32	8.29

Estimated volume total, Calls 2041 Puts 1223
Previous day's open int: Calls 43053 Puts 35049

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
82	6.50	6.43	0.00	0.53
84	4.51	5.13	0.01	1.23
86	2.54	3.60	0.04	2.06
88	1.05	2.47	0.19	2.57
90	0.12	1.57	1.26	4.03
92	0.03	1.17	3.17	5.27
94	0.01	0.52	5.15	6.62
96	0.00	0.32	7.14	8.42

Estimated volume total, Calls 25 Puts 24
Previous day's open int: Calls 3332 Puts 2170

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
18000	0.40	5.12	11.40	16.12
18250	0.22	4.41	13.72	17.91
18500	0.11	3.79	16.11	19.7
18750	0.05	3.23	18.55	21.73
19000	0.02	2.75	21.02	23.75
19250	0.01	2.33	23.51	25.83
19500	0.00	1.97	26.00	27.97
19750	0.00	1.65	28.50	30.15

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 59 Puts 109

LIFFE £/$ OPTIONS

[illegible]

LIFFE $/£ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE-EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING $ per £

[illegible]

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7580	1.7580	1.7580	1.7580
Mar	1.7527	-	-	1.7525
Jun	1.7480	-	-	1.7482

Estimated volume 15 (13)
Previous day's open int. 147 (152)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7218	0.7223	0.7197	0.7232
Mar	0.7279	0.7281	0.7258	0.7292
Jun	—	0.7340	0.7335	0.7365
Sep	0.7410	—	—	0.7425

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec	241.50	244.60	241.50	242.70
Mar	242.80	245.85	242.80	244.10
Jun	244.70	247.50	244.70	245.60
Sep	247.70	250.50	247.70	248.50

Company Notices

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$420	15	45	—	—	20	65	$463.50
GOLD C	$440	29	26	1	37	17	48	"
GOLD C	$460	229	7	126	24.90	1	36	"
GOLD C	$480	15	0.20	90	14	—	—	"
GOLD C	$500	—	—	21	9.90	—	—	"
GOLD C	$520	—	—	25	78	30	12.50	"
GOLD P	$440	10	0.10	105	8.40	5	12	"
GOLD P	$460	90	2.50	30	14.50	2	18	"
		Nov. 87		Dec. 87		Jan. 88		
EOE Index C	Fl.185	184	3	419	12	10	16.50	Fl.182.01
EOE Index C	Fl.200	17	0.40A	759	7	31	9.50	"
EOE Index P	Fl.170	—	—	125	8.30	25	11.30	"
EOE Index P	Fl.180	—	—	203	12.90A	168	16	"
£/Fl C	Fl.335	—	—	35	1.90A	—	—	Fl.336.29
£/Fl P	Fl.335	—	—	45	1.80	—	—	"
$/Fl C	Fl.190	48	1.50	20	3.50	61	4.40	Fl.191.13
$/Fl C	Fl.195	70	0.20	111	1.60	—	—	"
$/Fl C	Fl.200	40	0.10	135	0.80	40	1	"
$/Fl C	Fl.220	—	—	25	0.10	—	—	"
$/Fl P	Fl.180	—	—	69	1	34	1.20	"
$/Fl P	Fl.185	8	—	1187	1.70	106	2.30	"
$/Fl P	Fl.190	24	0.60	107	3.20	110	4.40	"
$/Fl P	Fl.195	—	—	21	5.80	100	7.40	"
$/Fl P	Fl.200	—	—	56	9.10	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	Fl.200	75	2	—	—	—	—	Fl.191.13
$/Fl P	Fl.180	35	2.30	76	3.50B	—	—	"
$/Fl P	Fl.185	500	3.80	—	—	—	—	"
$/Fl P	Fl.190	44	6.30	—	—	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.44	376	2.30	—	—	—	—	Fl.42.50
ABN P	Fl.40	20	180	27	3	80	3.60	"
AEGON C	Fl.60	30	4.60	13	7	1	7	Fl.60
AEGON P	Fl.70	75	11	70	11A	—	—	"
AHOLD C	Fl.70	41	6.50	1	88	—	—	Fl.67.40
AKZO C	Fl.100	261	7	46	13	—	—	Fl.95
AKZO P	Fl.80	207	3.30	1	6	13	8.30	"
AMEV C	Fl.45	65	3.40	1	4.80B	5	5.50B	Fl.44.70
AMRO C	Fl.75	122	1	—	—	1	3.80	Fl.63.40
AMRO P	Fl.70	100	8.50	—	—	—	—	"
ELSEVIER C	Fl.45	150	2.50B	32	4A	10	5.50	Fl.40
GIST-BROC. C	Fl.35	87	2.70	—	—	4	4.10	Fl.31.70
HEINEKEN C	Fl.140	31	8.70	—	—	—	—	Fl.133.50
HEINEKEN P	Fl.120	49	6.50	—	—	—	—	"
HOOGOVENS C	Fl.30	43	3.40	10	4	—	—	Fl.29.20
HOOGOVENS P	Fl.40	5	12	1	12	21	12.50	"
KLM C	Fl.27.50	—	—	5	5.80	111	7	Fl.29.60
KLM P	Fl.30	225	3.60	20	4.30	14	5.20	"
NEDLLOYD C	Fl.120	38	13.80	—	—	—	—	Fl.120
NEDLLOYD P	Fl.120	36	11.50	—	—	—	—	"
NAT NED C	Fl.60	548	1.50	41	3.20	—	—	Fl.53.90
NAT NED P	Fl.50	46	2.40B	—	—	2	5	"
PHILIPS C	Fl.35	340	1.80A	101	3	23	3.50	Fl.31.20
PHILIPS P	Fl.30	247	2.50	15	4	37	4.70	"
ROYAL DUTCH C	Fl.230	295	4.20	52	10.50	9	12.90	Fl.206
ROYAL DUTCH P	Fl.210	233	13	2	17	1	25	"
ROBECO C	Fl.100	150	1.20	—	—	—	—	Fl.82.20
ROBECO P	Fl.95	30	138	—	—	—	—	"
UNILEVER C	Fl.128	482	2.80	—	—	—	—	Fl.106.60
UNILEVER P	Fl.136	1373	34	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS: 29,288

A=Ask B=Bid C=Call P=Put

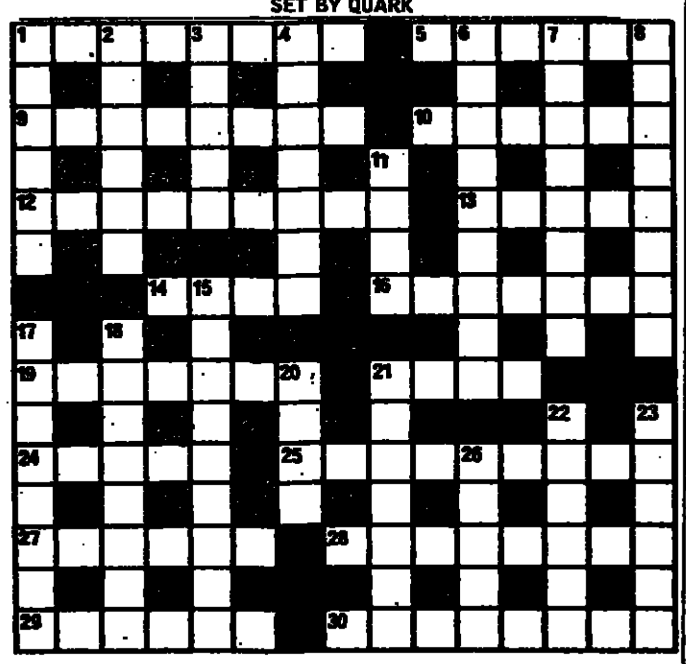
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	★ 9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'antee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10½	● Hill Samuel	§ 9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
Cl. Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. ★ 7-day deposits 4%. Sarewise 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.

FT CROSSWORD No.6,486

SET BY QUARK



ACROSS

1 Customary performance in weak cricket side. A total loss (5-3)
5 Call in church to behave in servile way (6)
9 Renovated inn's here to cherish (8)
10 It's often suspended during winter (6)
12 Ted with English razor is surprised. It carries no VAT (4-5)
13 Stocking seen in many London stores (5)
14 Stylishness seen in young girl mainly (4)
16 A reduction in overheads meaning fewer sailors (4,3)
19 One on board administering funds (7)
21 Reliable company (4)
24 Terrier in car in accident (5)
25 In the brass. Could be jazzy (9)
27 It leaves preference for a house of religion (6)
28 Offer for consideration argument for an English coin (8)
29 Holder - article in canvas cover? (6)
30 Medical officer takes in leader of territorials (a big fish) (8)

DOWN

1 Good idea emanating from a breather? (6)
2 Introduce Strine abroad (6)
3 Animal climbing round car. That's a mistake (5)
4 Supporter over the top? (7)
6 He tells a story of vehicle turning up on devious route round north (9)
7 Decorative string (6)
8 Tiny tree could stretch to infinity (8)
11 Relating to certain power, round police up (4)
15 Do damage and retreat in rounders? (3,3,3)
17 Standard vessel is continuous source of nourishment (8)
18 One sum I can set, associated with a score (8)
20 The girl must lose one otherwise (4)
21 Old statesman leads communist a dance (7)
22 Some French in a spot in space? (6)
23 Bird with fellow in London (6)
26 The air is yours if you pay me! (5)

Solution to Puzzle No.6,485

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	23⅝	+¼	$1.16	—	2.9
18⅝	8¾	Rockwell Intl. $1	10⅝xd	–¼	66c	—	3.6
30⅜	16¼	Sara Lee $1	20xd	–⅞	$1.00	—	2.9
11⅜	8⅞	Saul (B. F.) $1	9⅞	+⅛	20c	—	1.2
27½	2¼	Southwestern Bell $1	20¼	–⅛	‡$2.32	—	6.4
22⅝	10½	Staley Continental	10⅞	–¼	80c	—	4.2
44⅜	21⅝	Sun Co. Inc. $1	27⅞xd	+¼	$3.00	—	6.2
47⅝	22¼	TRW Inc. $0.625	23⅞xd	–¼	h$1.60	—	3.9
37⅝	22⅞	Tenneco $5	23¼xd	–¼	$3.04	—	7.6
220	149½	Do. 10pcLn.Stk. 91-5	150xd	.....	10%	—	14.7
29⅝	16¼	Texaco $6.25	17¼xd	.....	$3.00	—	10.0
74⅜	43¾	Time Inc. $1	44⅞xd	–⅛	$1.00	—	1.3
20⅞	11	Tracor $0.33	17⅞xd	–¼	40c	—	1.3
30¾	15⅜	Transamerica $1	18⅝xd	–¼	$1.80	—	5.7
14⅝	1¼	Transworld Corp $5	780p	–23	20c	—	1.5
27⅞	12¼	TRINOVA Corp.	15xd	+⅛	56c	—	2.1
24⅞	12⅞	♥USX $1	16⅞	–⅛	$1.20	—	4.2
19⅝	10⅞	Union Carbide $1	13⅞xd	–⅛	$1.50	—	6.6
37⅞	18⅜	Utd. Technologies	18⅞xd	–1⅛	$1.40	—	4.4
38⅝	26⅛	US West‖	28⅞	–⅛	$3.28	—	6.5
30⅞	17⅞	Waste Management $1	19⅝	–⅞	—	—	—
31⅛	13¼	Whirlpool $1.0	15⅞	+⅛	—	—	—
37⅞	18⅞	♥Woolworth $3½	20⅛	–½	$1.32	—	3.8

CANADIANS

1987 High	Low	Stock	Price	+ or –	Div	C'vr	Y'ld
691p	227p	ABM Gold Corp ‖	278p	.....	—	—	—
26½p	10p	♥Abbot Energy Corp.	19½p	.....	—	—	—
18⅞	506p	♥Amer. Barrick Res.	10⅝	+⅜	—	—	—
136p	32p	Amer. Dalaco	34½p	.....	—	—	—
141p	6p	American Lightwave	7p	+½	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£11¼	733	Prudential	823	−12	†29.0	—	4.8	—
598	350	Refuge 5p	398	−7	15.75	—	5.4	—
595	345	Royal	368	+10	†h15.5	—	5.8	—
110	85	Saltire Ins. Invs.	99	−2	—	—	—	—
*345	168	Sedgwick Group 10p	196	+7	12.0	1.7	8.4	8.4
339	138	Steel Burrill J. 10p	160		†9.0	2.0	7.7	8.9
668	403	Stewart Wr. 20p	618		‡13.0	2.0	2.9	21.9
612	303	Sturge Hldgs 20p	358	+9	†h6.0	2.5	2.3	23.5
£12⅝	645	Sun Alliance	828	+8	†23.5	—	3.9	—
£23	865	Sun Life 5p	898		†28.5	—	4.5	—
£49¾	£36¼	Taisho M&F EDR	£39¾	+¼	q010%	—	1.1	—
£22⅜	£14⅛	Torchmark $1.00	£15⅛		Q$1.00	—	3.8	—
410	295	Trade Indemnity	352	+2	†4.3	—	1.7	—
£34	£19¾	Travelers $1.25	£20¾	+¼	$2.28	—	6.4	—
£30⅛	£17⅛	USF&G Corp $2.50	£18⅜		Q$2.48	—	7.7	—
£33¾	£16½	USLIFE Corp. $1.0	£17⅛		Q$1.28	3.2	4.3	7.3
738	555	Util Friendly B 10p	645	−5	21.0	—	4.5	—
464	202	Willis Faber 12½p	217	−1	†10.75	2.4	6.8	8.3
128	41	Windsor Secs. 10p	75		†0.7	1.5	1.3	—

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 9	Nov19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14
Dec 7	Dec 17	Dec 18	Jan 4

*New time dealings may take place from 9.00am two business days earlier.

Early advance by equities mostly lost by the close but Government bonds above lows

THE UK STOCK market displayed its nervousness over the US budget deficit negotiations in late trading yesterday, when a gain of more than 32 FT-SE points was almost wiped out as the City reacted to agency reports of Senator Dole's warnings of Republican opposition to the plans for a cut in the US budget deficit.

Government bonds, although still a shade off at the close, had rallied significantly as equities lost their confidence. The bond rally indicated a return of the "flight to quality" which has been absent since equities began to stabalise after the calamitous slide which started on Black Monday.

Once again, the equity market was dominated by the massive trading in **British Petroleum** "new" shares which preceded confirmation at the end of the day that the Kuwait Investment Office has increased its stake to 10.06 per cent of the equity.

Trading in BP shares once again made up nearly a half of total equity trading on the Seaq system. Several of the major marketmaking firms were buying BP "new", presumably on behalf of the Kuwait Office, but none would comment during trading yesterday.

The initial gain in the stock market, which was held until early afternoon, largely reflected optimism towards the US Budget defict talks. But there was little business outside the FT-SE list, with many beta and gamma stocks again left on the sidelines.

The turndown in the market which greeted reports of Senator Dole's comments was abrupt. A reaction in the dollar hit the major UK exporting shares, although most of them managed to stay on the upside at the end of the day.

The FT-SE 100 Index closed 3.6 up at 1663.7 but the more narrowly based FT Ordinary Index shed 1.3 to 1309.3.

The sudden downturn reflected was seen by some traders as a warning of the lack of buying support behind the equity market at its current levels.

Weakness in crude oil prices was largely ignored in the oil share sector, where the activity in BP "new" was accompanied by further support for **Shell. Glaxo** managed to retain part of an early gain but **ICI** saw its initial rise melt away towards the close

Government bonds had a cautious session, with retail interest still very thin. Prices opened lower and the long end of the market showed losses of ⅝ of a point before the reaction in equities brought relief to Gilts.

The rally in bonds left the longs with net falls of ¼, with traders holding mixed views of the outlook. On the one hand, there is still plenty of stock available in a thinly-traded market. But on the other, it seemed last night that any further reaction in equities could bring buyers back for Gilts.

Index-linked had a quiet session but made ground towards the end of the session. Buying was said to be light and concentrated towards the longer end of the range, where prices have further to go before touching the "tap" levels. The nearer dates are now close to their "tap" price and buyers are less willing to push prices ahead.

BP held centre stage in the equity market. Business in BP "new" soared to an unprecendented level of around 290m before midday with the "mystery buyer" - later revealed to be the Kuwait Investment Office - said to be in the market again and buying aggressively in substantial sizes, mainly via the First Equity inter-dealer broking system.

With most, if not all, of the KIO stake said to have been accumulated by around 11 o'clock in the morning, there was an abrupt pause in turnover in BP "new" with the SEAQ "ticker" seemingly stuck around the 285m, to 290m shares traded levelfor some time.

BP "new" shares rose to 87p at the height of the KIO buying spree yesterday but subsequently fell back to close at 81p - down 4½ on the day -with turnover reaching a massive 320m shares. The "old" settled 4 off at 255p, after a turnover of 30m shares. BP ADR's attracted a turnover of 1.3m and the final quotation was $18.

A statement from the KIO, revealing the 10.06 per cent stake in BP, said it viewed the stake as "a good long term investment." Over the three-day period turnover in BP "new" has totalled some 844m shares.

Referring to the fall in BP "old" and "new" after the stake news was unveiled a leading dealer in BP said he had expected the shares to turn easier in the event that the Kuwaitis were confirmed as having topped up their 4.9 per cent stake.

The **Guinness** decision to take the unusual step of commencing legal action against the Takeover Panel fired a broadside at the shares. Higher initially at 257p the price dropped to 230p before settling a net 16 down at 235p after a turnover of 10m shares.

Guinness claims that the panel ruled unfairly over one aspect of the takeover of Distillers last year. The group said its decision followed meetings with the Panel concerning a purchase of shares during the Distillers bid. On advice from leading counsel, it requested a judicial review into the Panel and emphasised that it does not wish to challenge the authority of the Panel. Guinness only seeks to ensure that no ruling is made until sufficient of the relevant facts are known.

Argyll, the defeated contestant in the acrimonious battle for control of Distillers, surged higher to 195p but reacted later to close 6 up on the day at 185p. If the Panel's decisioncontinues to stand one possible consequence could be that certain ex-Distillers shareholders may in due course become entitled to further payments.

Analysts' views on **Whitbread** varied widely after the interim results. Profits slightly ahead of expectations brought a bounce in the shares, which have underperformed recently, and a positive assessment from Warburg Securities. But Fiona Matheson at Wood Mackenzie took a more cautious stance while Nigel Popham of Morgan Grenfell was inclined to rate the stock a "sell".

The last-named expressed disquiet over the group's move into the highly competitive international wines and spirits market, particularly the acquisition of James Burrough which will cause some dilution in earnings. Few City forecasters saw any need to alter full-year profits estimates which remainedwithin the £187m to £190m band. Amid a turnover of 2.2m shares,the "A" rose to 268p before ending only 2 higher on balance at 259p.

Boots fell way sharply to close 15 down at 216p despite announcing half-year results at the top end of market estimates.

After close scrutiny, analysts regarded the figures as lacklustre and were reported to have been unimpressed by a meeting with the company which was described as a "very low key affair".

Business among leading Buildings was very much of a routine nature and few stocks bucked the general trend. **Barratt Developments** were heartened by the chairman's confident AGM statement and touched 160p at one stage before easing back to close only 5 dearer on balance at 157p. Near-doubled half-year profits- at the top of market estimates- failed to sustain **Charles Church** which eased back after the results to close 10 lower at 102p. **Anglia Secured Homes** were 10 higher at 275p in a restricted market, but **George Wimpey,** after early progress to 188p, eased back to close unchanged at 186p. Building Material issues traded quietly throughout and showed little alteration overall. **Blue Circle** settled a 8 cheaper at 345p, but **Tarmac** closed 3 dearer at 219p, after 228p. **Rugby** touched 226p prior to closing 4 off at 220p.

In the Chemical sector, ICI edged up to £10⅜ on currency influences before easing back to close 1/16 higher at £10¼. **Wardle Storeys,** still responding to the good results, gained a further 25 to 525p. **Coates Brothers A** eased 7 to 259p and **Sutcliffe Speakman** softened 3 to 114p.

Racal were easily the best performer in an electrical sector hit hard late in the day by the downturn on Wall Street; Racal shares, up to 237p at mid-session, closed a net 6 higher at 233p on the view that any cuts in US defence spending as a result of a major budget reduction in America, would have only a marginal effect on Racal.

MK Electric eased 2 to 406p after the interim profits, with the 15.4 per cent earnings rise discounted by the market.

Stores contained numerous features, with **Coats Viyella** outstanding and finally 13 higher at 262p after a "buy" recommendation from securities house Kleinowrt Grieveson, whose Peter Hyde says the market is taking a "too pessimistic view of Coats' prospects". **Storehouse** added 3 to 263p after the interim figures. **Burton,** reporting interims today, were a similar amount up at 230p.

Davy Corporation provided an onstanding weak feature in the Engineering sector, falling away sharply to close 31 down on the day at 136p in the wake of the announcement of interim figures well below market estimates and a none too encouraging statement. Elsewhere, **GKN** closed 6 better at 285p following the company's statement on its proposed pension contributions holiday. **Rolls-Royce** edged up 3 to 114p in a turnover of some 1.8m shares.

Annual profits at the top of market estimates and a confident statement gave an early boost to **Ranks Hovis McDougall** which advanced to 298p at one point prior to easing back to close only a penny dearer on balance at 294p, but **Unigate** continued to give ground in the wake of the disappointing half-year figures and settled 9 lower at 278p. Elsewhere in the Food sector, **Fitch Lovell** attracted good support and rose 6 to 241p, while demand for recently oversold **William Morrison,** up 10 at 249p in the Retailing sector was inevitably accompanied by a revival of old takeover rumours.

Wellcome, well known for its anti/Aids drug Retrovir, continued to buck the trend and put on 17 more to 363p in the wake of renewed US institutional demand. Some 3.4m shares changed hands yesterday. In some quarters Wellcome are regarded as having good earnings growth potential in the Pharmacetical sector. In contrast, other international stocks failed to hold earlier gains, sentiment being undermined in the late dealings by nervousness awaiting the outcome of the US Budget negotiations. Reflecting the trend, **BOC,** up to around 360p at one stage, reacted to close 8 better on balance at 353p. **Beecham,** scheduled to announce half-yearly figures today, settled 4 lower at 436p. **Reed International,** staged a good early revial, but finished the day only 6 firmer on balance at 348p. **British Aerospace,** assisted by favourable Press mention, nudged forward to close 5 better at 315p.

Elsewhere, **Sac International,** still reflecting the lower-than-forecast annual results, eased afresh to 198p, for a two-day loss of 45. Bid hopes continued to inspire **Brammer** which put on 7 further to 233p, while satisfactory interim figures left **Dwek Group** 4 to the good at 105p, after 108p. The resignation of Mr Terry Simpson from the board of **Norcros** after a disagreement over group strategy prompted Press speculation about a possible bid for the company and the shares rallied to close 6 better at 329p. Earlier this year, Williams Holdings failed to win control of Norcros by only a small margin.

Motors tended to be bereft of features with the exceptions of **Rover,** up 3 to 75p on the expectation that it will make a profit this year, and **Jessups,** which rose 20 in a thin market to 185p.

A record first-half achievement failed to support **John Waddington.** Investors were more concerned with the chairman's view on the trading envIronment in some of the company's markets - described as not quite so bright as in the past year - a factor which caused analysts to trim profits forecasts for the full-year. The shares moved back from an enhanced early level of 215p to close 11 down on the session at 199p. **DRG** continued to benefit from a favourable circuler from Citibank Scrimgeour Vickers and in a brisk trade rose 14 more to 343p. Kleinwort Grieveson issued similar advice for a trio of Advertising Agencies, but there was little response. **Saatchi & Saatchi** eased to 347p while **Lowe Howard-Spink** hardened to 265p. **Boase Massimi Pollitt** remained at 200p.

Properties gave a steady performance and closed firmer for choice. **Land Securities** eased to 455p initially, but later picked up to close a 5 dearer on balance at 463p. **MEPC,** annual results due next Wednesday, touched 455p prior to closing 7 up at 450p. **Slough Estates** firmed 6 to 239p and **Peachey** added 5 to 313p. **Sheraton Securities** attracted buyers ahead of the interim results scheduled for November 30 and gained 2 to 55p, while **Control Securities** responded to the latest boardroom appointments with an improvement of a penny at 45p. By contrast, **Egerton Trust** fared badly owing to a lack of support and dipped 13 to 138p. **Hardanger** continued to give ground in the wake of the results and settled 45 down at 675p.

Any potential recovery in Fund Management groups were thwarted by news that unit redemptions so far this month are running at twice the level of new investment in units. Selling pressure was light, however, and only **M & G** lost ground. The shares settled 7 off at 238p.

Inchcape announced an expansion of its wines and spirits businesses via new joint ventures in Hong Kong but the market was disinterested and the shares eased to 542p.

Inchcape announced an expansion of its wines and spirits businesses via new joint ventures in Hong Kong but the market was disinterested and the shares eased to 542p.

Traded option activity was higher yesterday reflecting the expiry of the November series contracts. BP were predictably active recording 2,186 calls and 1,415 puts. Wellcome registered 2,070 puts, while the FTSE contract attracted 451 calls and 1,856 puts.The total number of contracts arranged yesterday was up some 4,000 on the previous day's 26,000. Calls accounted for 16,171 and puts were considerably higher at 13,991.

FINANCIAL TIMES STOCK INDICES

	Nov. 18	Nov. 17	Nov. 16	Nov. 13	Nov. 12	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.70	90.74	90.28	90.63	91.14	80.76	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.64	95.34	95.20	95.36	95.66	88.35	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1309.3	1310.6	1325.6	1317.1	1328.8	1258.8	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	285.5	284.0	288.2	288.2	282.6	310.9	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.73	4.73	4.66	4.69	4.65	4.50				
Earnings Yld. %(full)	11.70	11.68	11.51	11.60	11.51	10.44				
P/E Ratio (net)(*)	10.45	10.47	10.62	10.54	10.63	11.72				
SEAQ Bargains (5pm)	24,702	26,011	36,342	42,229	56,334	26,360				
Equity Turnover (£m)	-	1072.92	1301.55	1303.63	1693.53	1396.75				
Equity Bargains	-	30,235	40,722	51,882	58,432	36,439				
Shares Traded (ml)	-	658.2	657.3	610.6	804.8	359.9				

S.E ACTIVITY

Indices	Nov.17	Nov.16
Gilt Edged Bargains	128.3	114.3
Equity Bargains	195.9	264.2
Equity Value	2168.6	2630.8
5-Day average		
Gilt Edged Bargains	136.1	148.8
Equity Bargains	291.8	307.3
Equity Value	2737.3	2856.0

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1323.6	1330.9	1331.5	1330.8	1332.6	1334.4	1323.5	1319.4

Day's High 1334.7 Day's low 1305.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.31.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Traditional Options

● **First dealings Nov 16● Last dealings Nov 27● Last declarations Feb 18● For Settlement Feb 29** *For rate indications see end of London Share Service*

Stocks to attract money for the call included **Bell Resources, Rolls-Royce, Control Securities, Lex Service, Berkeley and Hay Hill, Eagle Trust, Inoco, Benjamin Priest, Dixons, Sainsbury, Dares Estates, Blacks Leisure and Hanson Trust.** No put or double options were reported.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (2).

BRITISH FUNDS (1) Transport 3pc. 1978-88, AMERICANS (1) Premark Intl.

NEW LOWS (36).

AMERICANS (2) Merrill Lynch, United Technologies, CANADIANS (6) Bank Montreal, Bank Nova Scotia, Bow Valley, Danbus [illegible] Neotronics Technology, Newmark (Louis), Penny & Giles Intl., ENGINEERING (2) Davy Corp., Spirax Sarco, FOODS (1) Dalgety, INDUSTRIALS (3) Bowater Inds., EIS, Select Appointments, LEISURE (2) Aspinall Hldgs., Orient Express Hotels, MOTORS (1) Lex Service, PAPERS (1) Davidson Pearce, PROPERTY (1) Asda Property 5½pc. Cm. [illegible]

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	3,900	English China Clays	390	Plessey	977
Allied-Lyons	981	Enterprise Oil	408	Prudential	172
Amstrad	432	Fisons	2,100	Racal	2,600
Argyll Group	2,900	Gen. Accident	488	Rank Org.	530
Assoc. Brit. Foods	258	Gen. Elect.	2,800	RMC	346
BAA	2,400	Glaxo	2,900	RHM	1,800
BAT	1,800	Globe Investment	453	Reckitt & Col.	52
BET	1,000	Granada	991	Redland	223
BICC	616	Grand Met	992	Reed Intl.	2,000
BOC	2,400	GUS A	801	Reuters	1,080
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Wednesday November 18 1987

[illegible]

FIXED INTEREST

[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices November 18

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 18

[illegible]

Total Sales 4,067,389 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

[illegible]

** Saturday November 14 Japan Nikkei (c). TSE (c)

Base values of all indices are 100 except Brussels SE — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Metals — 500; NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

TORONTO	Nov 18	Nov 17	Nov 16	Nov 13	1987 High	1987 Low
Metals & Minls	2,315.4	2,270.2	2,316.9	2,298.2	3,587.5 (5/10/87)	1,989.2 (2/1/88)
Composite	2,922.7	2,911.4	2,944.9	2,946.1	4,112.9 (13/8)	2,843.9 (16/11)
MONTREAL Portfolio	1,474.85	1,470.12	1,488.14	1,482.8	2,224.77 (12/12)	1,435.94 (28/10)

* Indicates pre-close figure

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Allied Signal	4,846,200	33	+ 1⅝
Pac Gas & Elec	3,556,800	17¼	− ¼
IBM	2,064,700	117¼	− 2¼
Gen Elec	1,882,900	45	− ⅝
BP (part-paid)	1,869,200	18	+ 1¼
AT&T	1,619,000	28⅝	− ⅜
Unisys Corp	1,572,400	31¼	− 1½
Citicorp	1,389,700	19⅝	− ⅜
Chrysler	1,345,800	22⅞	− 1⅛
Union Carb	1,331,100	23	− ½

TOKYO — Most Active Stocks
Wednesday, November 18, 1987

	Stocks Traded	Closing Prices	Change on Day
Kawasaki Steel	94.53m	360	+ 22
Nippon Steel	89.86m	434	+ 15
Nippon Kokan	34.83m	345	+ 16
Hitachi Ltd.	19.30m	1,270	+ 60
Mitsui E and S	17.85m	309	+ 11
Sumitomo Metal	18.44m	287	+ 8
Japan Synth. Rubber	10.24m	788	+ 30
Fujitsu	7.93m	1,220	+ 40
Matsushita Elec Ind	7.88m	2,210	+ 70
Mitsubishi Heavy Ind	6.78m	829	+ 18

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES:		
Argyll Group	185	+ 6
Brammer	233	+ 7
Coats Vi	282	+13
DRG	343	+14
Fitch Lovel	242	+ 7
Heath (C E)	374	+ 9
Morgan Gren	245	+12
Morrison (Wm)	249	+10
Royal Ins	368	+10
Slough Est	239	+ 6
Wellcome	363	+17

FALLS:		
Church (Chas)	102	−10
Davy	136	−31
Guinness	235	−18
M & G Group	238	− 7
Ratners	239	− 9
SAC Intl	198	− 7
Unigate	278	− 9
Waddington (J)	199	−11

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¾	AAR s	.36	2.1	16	219	17¼	16¾	17¼	+¼
32½	17½	AFG s	.16	.7	8	300	24¼	23⅝	24	−¼
27	10½	AGS s			13	162	15⅞	14½	15⅜	−½
10½	6½	AMCA				4	6⅞	6¾	6⅞	+⅛
9⅜	3¼	AM Intl			51	1044	5⅝	5⅜	5⅝	+⅜
65½	29½	AMR			9	5205	33	31⅝	32¼	−⅜
12¼	6⅜	ARX s			7	207	7	6⅞	7	+¼
73½	34½	ASA	2a	4.4		514	45¼	44¼	45	+1
22⅜	9½	AVX			16	961	13¼	12⅞	12⅞	−¼
67	40	AbtLab	1	2.2	17	3651	46⅞	45⅛	46	−⅛
28	15⅜	Abitibi g				58	17¼	17	17¼	+⅛
16¾	9	AcmeC .40		4.4	9	406	9⅛	d	8½	9
10½	6⅛	AcmeE .32b		4.4	25	3	7¼	7⅛	7¼	
19½	13⅞	AdaEx 3.34e		19.		203	17¼	17⅛	17¼	+⅛
19½	7¾	AdmMl s .24		2.6	7	90	9⅛	8¾	9⅛	−⅛
35	14⅜	AdvSys			17	278	27	25⅞	26	−¾
24⅞	9½	AMD				2354	10⅜	9⅞	10¼	+¼
56¾	30½	AMD pf	3	9.7		744	31	30⅞	30⅞	−⅛
11⅞	4⅛	Adobe				91	5¼	5	5⅛	−⅛
21⅞	17	Adob pf 2.40		12.		12	20⅞	20⅜	20⅝	−⅜
15	8⅛	Advest .12a		1.5	6	109	8⅛	7⅞	8⅛	+⅛
68¼	46	AetnLf 2.76		5.6	7	3106	49¼	48⅜	49¼	+½
83½	30⅜	AflPb s .32		.7	7	1079	48⅜	47½	48	+⅛
[illegible]										

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
58¼	52½	Xerox pf5.45		10.		29	54⅛	54	54⅛	−⅛
31½	19¾	XTRA .64		2.8	15	54	23¼	22¾	22¾	−½
26¼	19½	XTRA pf1.94		9.3		40	20⅞	20	20⅞	−⅝
33⅞	16⅛	Yorkin			9	88	22⅝	22¼	22⅝	
7¼	2¼	Zapata				1182	3⅛	2⅞	3	
37	14⅝	Zayre	.40	2.3	8	8247	18⅝	17¼	17⅝	−1¼
16⅛	9¼	Zemex	.40	4.0	9	1	10⅛	10⅛	10⅛	−⅛
33⅝	10	ZenithE				2827	14⅛	13¾	14	−⅛
13½	3⅛	ZenLab				446	4⅛	3⅞	4⅛	+⅛
28½	13½	ZenNtl	.80	4.8	8	109	16⅞	16¾	16¾	+⅜
20⅝	11⅝	Zero	.36	2.9	12	148	12⅞	12¼	12½	−¼
30¾	15	Zurnin s .68		3.6	13	240	19⅝	18½	19⅜	+¾
10⅝	7⅝	Zweig .65e		7.5		331	8¾	8⅝	8⅝	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 39

WORLD STOCK MARKETS

FINANCIAL TIMES

AMERICA

Dow recovers confidence in late rally

Wall Street

DESPITE disillusioning comments emerging from Washington yesterday about the scale and content of proposed cuts to the US budget deficit, US equities managed to claw back from an early loss to close higher, *Janet Bush writes in New York.*

After another day of subdued activity, the Dow Jones industrial average closed 16.91 points higher at 1,939.16, recovering from an early drop of more than 25 points.

The rally, which mostly took place in the last hour of trading, was ascribed partly to computerized programme trading triggered when stock index futures moved to large premiums to indices in the cash market.

Analysts on Wall Street noted the Dow had now managed to recover ground from quite substantial losses in two successive trading sessions which they took as a sign that the market is on its way to recovering confidence after the collapse in share prices in late October.

There was a feeling by yesterday afternoon that the ability of not only equities but also bonds and the dollar to hold steady in the face of frankly disappointing signs emerging from Washington signalled confidence was on the mend.

US stocks had moved sharply lower in early trading yesterday as Wall Street failed to profit from cautious optimism on overseas equity markets that a budget accord was imminent. Particularly negative was the comment by Mr Jim Wright, Speaker of the House, that the budget proosals which appeared to be emerging would be "disappointing to anyone who would like to see anything more dramatic achieved".

Other comments from Congressional leaders later in the day did little to contradict this gloomy prognosis. Nevertheless, equity prices recovered quite confidently across a broad range of sectors, albeit in low volume.

Fixed-interest markets continued Tuesday's trend with long-yields on government bonds under some upward pressure but yields on Treasury bills and short-maturity bonds edging lower, leading to a marked steepening of the yield curve over the week so far.

At the close, the US Treasury's benchmark 8.75 per cent 30-year bond was unchanged from yesterday's close at 99.13 for a yield of 8.92 per cent. The rate on three-month Treasury bills was around 10 basis points lower for a bond equivalent yield of 5.94 per cent.

Sears Roebuck, the leading US retailer, yesterday morning gave notice of its plans for a business venture with Walt Disney. Sears' share price rose $⅝ to $36⅞ before the detailed announcement after trading closed while Walt Disney climbed $2¼ to $55.

News that Union Carbide and the Indian government failed yesterday to reach an out-of-court settlement in connection with compensation for the victims of the Bhopal disaster hit Union's share price. It fell $1 to $22 after news both parties will appear on November 27 to set a date for a trial.

Bankers Trust yesterday bucked the trend of other commercial bank stocks, rising $⅝ to $30¾ after it said it now expected to report between a profit of $25m and a loss of $50m for 1987 instead of a loss of between $150m and $200m previously estimated. It said the improvement was due to substantial profits on securities and foreign exchange business over the last six weeks.

Canada

TAKING A LEAD from Wall Street, stocks in Toronto moved broadly lower.

Among energy issues, Texaco Canada fell C$¼ to C$25¾, Imperial Oil class A dropped C$⅞ to C$53 and Shell Canada declined C$½ to C$30½. Dome Petroleum, which has received a bid of $5.5bn from Amoco Canada, up from $5.2bn, rose 18 cents to C$1.02.

Golds were mostly lower, with Lac Minerals slipping C$⅛ to C$11.

EUROPE

US budget talks subdue activity

CALM RESIGNATION that the direction of international stock markets remained hinged on the outcome of talks to reduce the US budget deficit kept bourses in Europe subdued yesterday. Most markets eased as investors hugged the sidelines.

AMSTERDAM firmed on the steadier dollar and expectations of progress in talks to reduce the US budget deficit. Turnover was still low as many investors preferred to wait before making a commitment.

The CBS all-share index edged up 0.6 to 69.4 and the ANP-CBS index added 0.9 to 79 due to selective gains in blue chips, but prices ended below their highs.

Royal Dutch rose Fl 2.20 to Fl 206.00 after a peak of Fl 207.70, Akzo gained Fl 2.00 to Fl 95.00, while Philips inched up 10 cents to Fl 31.20. Unilever slipped 30 cents to Fl 106.60.

ZURICH slipped narrowly lower as operators continued to await indications of a breakthrough in reducing the US budget deficit. The Credit Suisse index was unchanged at 448.8 and the all-share Swiss index was off 5.8 at 816.4.

Holdings were marginally higher across the board and banks ended mixed with a firmer bias.

Chemicals declined, with Ciba-Geigy dropping SFr30 to SFr2,670 and Sandoz falling SFr600 to SFr11,600.

In foods, Nestle shed SFr100 to SFr8,000 after the company said it expected lower 1987 group sales. Chocolat Lindt added SFr500 to SFr21,000.

PARIS was depressed by the release of disappointing trade figures and current account data which turned the promising start into a lower close.

The CAC index, based on opening trades, was up 1 at 299.7.

Leading blue chips were mixed to lower. Lafarge Coppee gained FFr1 to FFr1,226 but Thomson-CSF fell FFr18 to FFr807 and Peugeot was down FFr21 at FFr1,030.

Recently privatised financial group Suez gained FFr4 to FFr292, moving against the trend towards its issue price of FFr317.

BRUSSELS turned mixed as uncertainty over the market's direction and the outcome of talks to reduce the US budget deficit hung over the market. The cash market index edged 12.54 higher to 3,919.09 in dull trade.

Oil group Petrofina, which dropped BFr250 on Tuesday, recouped BFr170 to close at BFr9,800.

Chemicals saw Solvay recover BFr50 to BFr10,050, but Gevaert shed BFr70 to BFr6,170.

STOCKHOLM turned lower after a good start as uncertainty on international markets prompted profit-taking, paring the morning's advance. Some blue chips held on to part of their early gains. The Affaersvaerlden index added 1.00 to 698.4 in choppy trading.

Volvo's nine month report was well-received by the market and its stock rose SKr10 to SKr287.

Ericsson climbed SKr6 to SKr168, Electrolux added SKr1 to SKr221, but Pharmacia slipped SKr1 to SKr140.

OSLO continued a lower trend as concern over the weak dollar and its effect on North Sea oil revenues depressed the market.

The all-share index dropped 4.00 to 277.47 in moderate activity.

Oils were down with Saga Petroleum, Norway's biggest fully private oil company, losing NKr3.5 to Nkr93.5. But Norsk Hydro, which lost heavily in the recent price crash, added NKr1 to NKr152.

MILAN ended mixed with a lower bias after a day of cautious dealings but prices edged higher in after-hours trading. Montedison climbed L50 to L1,520 on bargain-hunting after a spate of steep falls.

Among other blue chips, Olivetti, due to announce a new line of computers today, declined L145 to L7,595 and Fiat shed L100 to L8,655.

MADRID remained hesistant as investors awaited developments in the US budget deficit talks and the release of Spain's consumer price figures for October.

The general index shed 3.25 in in lacklustre trade.

Construction issues and chemicals saw the steepest falls while banks were little changed.

HELSINKI tipped downwards after profit-takers moved in following four consecutive rises on the bourse. The Unitas all-share index dipped 3.1 to 577.5 in calm trading.

FRANKFURT was closed for a holiday.

London

MASSIVE trading in BP again dominated London trading as the Kuwait Investment Office confirmed it had boosted its stake in the group to 10.06 per cent. A rally of more than 32 points on the FT-SE 100 was erased by fresh fears over the US deficit. The index closed 3.6 up at 1,663.7.

Portugal rebounds strongly

SHARES have rallied strongly on Portugal's stock markets this week after a fortnight of steep decline, *writes Diana Smith in Lisbon.*

The market index rose yesterday by 142.6 to 4,201.2. This week, prices of 70 per cent of shares quoted in Lisbon and Oporto have risen - some by as much as 50 per cent on last week's levels.

Since the abolition last Thursday of limits on daily price movements, stocks have begun to find levels dictated by market forces, largely free of the speculative pressures which had inflated prices since spring.

Part of the upswing is due to heavy buying by banks and insurance companies. Restrictions limiting their stock purchases were lifted earlier this month.

Three unit trusts which suspended sales and redemption of units last week as they watched market developments - Invest, Valor Mais and Unifundo - resumed business this week.

Shares in financial services companies, investment and leasing companies, which have starred this year on the Portuguese market, recovered amid signs of revived foreign interest.

ASIA

Broad rally underpinned by steels and high-techs

Tokyo

LARGE-CAPITAL steels, drugs and high technology stocks rallied yesterday, taking the Tokyo market broadly higher as optimism grew over prospects for cutting the US budget deficit, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average began slightly lower but turned up sharply in the afternoon to close 390.21 higher at 22,734.49. Trading swelled from Tuesday's low volume of 270.56m shares to 554.32m. Advances outnumbered declines by 569 to 297, with 135 issues unchanged.

Investors were encouraged by reports that negotiations between the White House and Congress on reducing the Federal budget deficit had made progress.

Kawasaki Steel headed the actives with 94.53m shares traded and rose Y22 to Y350, followed by Nippon Steel on trade of 89.06m, which advanced Y15 to Y434. Nippon Kokan closed Y16 higher at Y345, Mitsui Engineering and Shipbuilding added Y11 to Y300 and Mitsubishi Heavy Industries was Y18 higher at Y620.

High-tech issues also posted large gains. Hitachi added Y60 to Y1,270 and Fujitsu rose Y40 to Y1,220. Matsushita Electric Industrial climbed Y70 to Y2,210 and NEC added Y60 to Y2,010, while Fuji Photo Film spurted Y190 to Y3,990.

Tokyo Electric Power rallied to finish Y350 higher at Y6,500 and spurred buying in other utilities. Kansai Electric Power and Tokyo Gas advanced Y120 to Y3,100 and Y43 to Y978 respectively. Nippon Telegraph and Telephone (NTT) closed Y50,000 higher at Y2.7m.

Contractors firmed, with Ohbayashi Corp. rising Y40 to Y1,050, Kajima up Y50 to Y1,710 and Hazama-Gumi climbing Y80 to Y776.

In chemicals, pharmaceuticals chalked up particularly big rises. Takeda Chemical soared Y130 to Y3,000, while Yamanouchi Pharmaceutical climbed Y140 to Y3,730 and Daiichi Seiyaku Y100 to Y3,200. Sumitomo Chemical and Kureha Chemical added Y17 to Y775 and Y40 to Y1,160 respectively.

Sumitomo Bank was up Y80 at Y3,350 and Mitsubishi Trust and Banking rose Y70 to Y3,050, while Tokio Marine and Fire Insurance added Y60 to Y1,870.

The yield on the bellwether 5.1 per cent Government bond due in June 1996 dropped below 5 per cent in inter-dealer trading after the close of block trading on the Tokyo Stock Exchange. Bullish about the prospects of reducing the US deficit, dealers bought bonds from the opening. The benchmark issue closed at a yield of 4.880 per cent, down from 5.070 per cent on Tuesday.

The Osaka Securities Exchange opened lower after Wall Street's overnight decline. It later rose on active bargain hunting, taking the OSE stock average 188.08 higher to 23,001.65 on a volume of 57.82m shares, up 23.16m from Tuesday.

Nintendo chalked up a Y270 upswing to Y8,300 and Zenitaka gained Y120 to Y1,240. Tateho Chemical, which reported debts larger than its capital, plummeted Y72 to Y510.

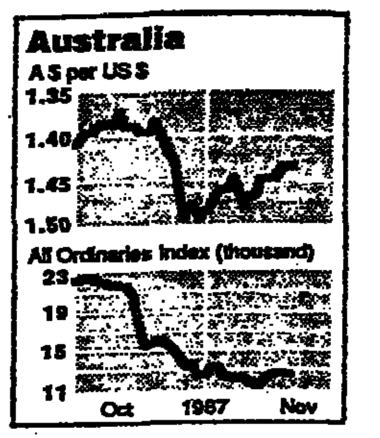
Hong Kong

LATE interest in Hongkong Land failed to prevent a very slight fall in Hong Kong share prices in a market still largely frozen ahead of news of the US budget talks. The Hang Seng index closed down 5.22 to 2,285.15.

Properties held ground against broader weakness, with trade busiest in secondary issues. Hongkong Land, 10 cents up at HK$8.05, refused to comment on buying of its stock. Cheung Kong dipped 10 cents to HK$7.15.

Jardine Strategic Holdings added 5 cents to HK$7.40 and its parent Jardine Matheson 50 cents to HK$10.90.

Australia



OPTIMISM over the US budget talks lifted Sydney shares off their lows, but local buying was countervailed by continued foreign selling to leave prices easier. The All Ordinaries index closed 12.9 off at 1,284.2.

Mr Robert Holmes a Court's Bell Group fell 10 cents to A$2.35, while Bell Resources rallied from early losses to close 1 cent up at A$1.91 after Tuesday's sale of BHP shares. The latter moved 8 cents down to A$7.18.

Of other entrepreneurial stocks, Adsteam rose 5 cents to A$4.85, but Elders IXL gave up 8 cents to A$2.87.

The Australian dollar's appreciation took its toll on golds as Renison dipped 30 cents to A$7.50 and Metana 40 cents to A$8. Gold Mines of Kalgoorlie was 12 cents lower at A$4.50

Singapore

PATCHY bargain hunting lifted Singapore share prices marginally higher in thin trade after a weak opening strengthened on Tokyo's rally. The Straits Times industrial index rose 9.66 to 836.66.

Sime Darby, again busiest with 1.5m shares traded, added 3 cents to S$1.91 as blue chips made selective gains. Metro added 35 cents to S$6.10, Singapore Press 10 cents to S$6.95 and Sinagapore Airlines 5 cents to S$9.35.

SOUTH AFRICA

LACKING clear signals from the bullion price, Johannesburg gold shares closed narrowly mixed in dull and directionless trading.

Heavyweight golds generally firmed, with Vaal Reefs R3 higher at R308. Lesser issues, though, fell back, as Elsburg gave up 25 cents to R10.75.

Anglo American, leading mining financial, fell back R1 to R58.50.

Diamond issue De Beers was 65 cents down at R29.25, though other mining issues generally held their ground.

Industrials eased off. South African Breweries dipped 50 cents to R16.25

Tony Walker in Cairo looks at moves towards a unified Gulf securities market

Arab investors homeward bound

IF THERE IS a benefit for Arab stock exchanges as a result of the turmoil in world markets, it is that Arab investors are looking again at opportunities closer to home, according to the head of the region's most developed exchange.

Mr Hisham al-Oteibi, director of Kuwait's Stock Exchange and chairman of the United Arab Stock Exchanges (UASE), said in Cairo this week that while it was too early to assess the full effects of the market crash on the attitudes of the region's investors, there were indications of renewed interest in local stocks.

He noted that Kuwaiti banks were experiencing higher levels of liquidity as investors who had their fingers burned in international markets repatriated funds.

Dr Fawzi Behzad, adviser to the Bahraini Government on the establishment of a local exchange, said the emirate planned to set up a trading floor by early next year. "The time has come to go ahead with the project," Mr Behzad said.

A three day symposium, conducted this week by the UASE in Cairo, heard repeated calls for a strengthening of Arab capital markets in order to hold investment funds in the region.

The new Kuwaiti Stock Exchange

Mr Oteibi, who called for a joint Arab stock exchange to enliven trading in the region, said this was a longer term project, but in the meantime progress was being made among the six Gulf Co-Operation Council (GCC) states towards the establishment of a unified Gulf market.

There were a lot of companies, Mr Oteibi said, like shipping and investment concerns, whose stock would be more satisfactorily traded on a regional exchange than in the markets of individual countries.

He said one of the moves already under consideration by finance ministers was a special dispensation to GCC nationals to buy shares on whatever exchange in the Gulf they chose.

At present, shares in the 44 local companies listed on Kuwait's exchange can only be held by Kuwaiti nationals.

Mr Oteibi said that while there had been discussion about establishing a clearing house for Gulf stocks, implementation was still some way off. He said the fact that Bahrain was on the verge of establishing an exchange, and that Oman and Saudi Arabia were studying the possibility was encouraging.

He said that one of the most important tasks for the development of capital markets in the Gulf was to make sure of careful attention to developing rules and regulations governing trading.

There was also a need to make sure disclosure requirements were enforced and that everything possibile was done to maintain and develop investor confidence.

Mr Bezhad said that Bahrain was conscious of the pitfalls. He said the new exchange would at first list about 34 local companies.

The exchange would initially deal in stocks, bonds and preference shares. But it was hoped eventually to set up a futures market, and to list Gulf companies in which Bahrainis had a minority interest.

Mr Bezhad said that the new exchange would replace the present system under which about 20 brokers conducted their business by telex and telephone. "Our main objective," he said, "is to organise the market so we can reallocate wealth in the country to certain projects vital to its development."

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 18 1987					TUESDAY NOVEMBER 17 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	98.15	−0.8	82.19	93.88	4.35	98.92	83.12	94.53	180.81	85.80	88.20
Austria (16)	92.52	+1.2	77.48	81.00	2.55	91.44	76.83	80.58	102.87	85.53	93.85
Belgium (48)	102.77	+0.0	86.05	90.48	5.26	102.74	86.32	90.20	134.89	96.19	92.25
Canada (127)	101.93	+0.5	85.36	97.10	3.18	101.38	85.18	96.65	141.78	98.15	98.10
Denmark (38)	109.28	+0.5	91.51	96.57	3.05	108.77	91.39	96.53	124.83	98.18	94.75
France (120)	85.25	−0.4	71.39	76.46	3.58	85.56	71.89	76.94	121.82	77.39	94.12
West Germany (93)	75.47	+0.4	63.20	66.19	2.87	75.18	63.17	66.19	104.93	68.91	93.31
Hong Kong (46)	87.99	+0.2	73.68	88.06	5.56	87.85	73.81	88.00	158.68	75.82	87.49
Ireland (14)	103.47	−0.5	86.64	92.42	4.87	103.94	87.34	93.32	160.22	96.20	88.69
Italy (94)	76.84	−0.7	64.34	71.10	2.68	77.37	65.01	71.77	112.11	72.04	96.72
Japan (457)	137.56	+2.2	115.19	117.78	0.58	134.58	113.07	115.44	161.28	100.00	88.28
Malaysia (36)	104.04	+1.0	87.12	100.33	3.57	102.99	86.54	99.35	193.64	98.24	100.97
Mexico (14)	150.10	−5.9	125.69	282.51	1.06	159.43	133.95	300.07	422.59	99.72	91.42
Netherland (37)	98.55	+1.4	82.52	85.40	5.24	97.17	81.65	84.58	131.41	87.70	95.92
New Zealand (23)	77.78	−2.1	65.13	66.53	4.71	79.44	66.75	67.74	138.99	75.99	93.17
Norway (24)	111.64	−0.8	93.49	97.70	2.80	112.52	94.54	98.20	185.01	96.03	103.04
Singapore (27)	99.34	+1.5	83.18	93.57	2.56	97.91	82.27	92.32	174.28	90.19	100.84
South Africa (61)	124.04	+0.4	103.87	88.19	4.84	123.60	103.86	88.61	198.09	100.00	99.23
Spain (43)	121.54	−0.7	101.78	104.55	3.90	122.45	102.88	105.89	168.81	100.00	86.76
Sweden (34)	100.68	+0.2	84.31	90.58	2.51	100.49	84.44	90.75	136.64	88.50	100.91
Switzerland (53)	81.63	−0.1	68.35	69.96	2.37	81.71	68.65	70.41	111.11	73.65	92.64
United Kingdom (332)	119.78	+0.4	100.30	100.30	4.55	119.27	100.22	100.22	162.87	99.65	91.94
USA (582)	100.15	+1.0	83.86	100.15	3.68	99.14	83.30	99.14	137.42	92.83	98.66
Europe (946)	98.48	+0.2	82.46	84.96	3.93	98.25	82.56	85.06	130.02	92.25	93.25
Pacific Basin (678)	134.13	+2.1	112.32	115.74	0.79	131.40	110.40	113.58	158.77	100.00	88.35
Euro–Pacific (1624)	119.90	+1.5	100.40	103.46	1.83	118.18	99.29	102.20	143.65	100.00	90.29
North America (709)	100.24	+1.0	83.94	100.00	3.65	99.26	83.40	99.02	137.55	93.20	98.63
Europe Ex. UK (614)	85.26	+0.0	71.39	75.42	3.39	85.21	71.60	75.64	111.97	78.89	94.08
Pacific Ex. Japan (221)	92.71	−0.4	77.64	89.21	4.65	93.09	78.22	89.54	164.03	83.17	89.27
World Ex. US (1826)	119.34	+1.4	99.94	103.22	1.90	117.68	98.88	102.02	143.38	100.00	90.66
World Ex. UK (2076)	111.14	+1.4	93.07	102.47	2.30	109.64	92.12	101.22	138.82	100.00	93.96
World Ex. So. Af. (2347)	111.82	+1.3	93.63	102.30	2.50	110.40	92.76	101.15	139.47	100.00	93.73
World Ex. Japan (1951)	99.61	+0.7	83.41	94.30	3.80	98.96	83.15	93.80	134.22	95.64	96.41
The World Index (2408)	111.90	+1.3	93.70	102.23	2.52	110.49	92.83	101.09	139.73	100.00	93.77

Base values: Dec 31, 1986 = 100

West German market closed for public holiday November 18.